FEB 11, 1931

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During the last half of January the slight improvement evident after the turn of the year petered out. . . . Our index has been sagging for three weeks, and as the month closed it was slightly under the December low, at 76.8% of normal, by preliminary figures. . . . The January level averaged about the same as November, but a little above December. January's upturn in pig-iron output-first since last April, may be another sign that the low point was passed in December. . . . But the recent slackening of the rate of improvement in steel, coal, and power production, building, car loadings, and check payments suggests how irregular, feeble, and protracted recovery is likely to be when it is left merely to the "invisible hand" and like "natural" forces within business itself, without the support and stimulation of external factors brought to bear by intelligent, courageous, and cooperative banking policies. . . . Moreover, the steady downward drift of commodity price levels, the widening circle of debt defaults or moratoria, the increasing political chaos and the inevitable deluge of dubious legislative proposals precipitated by group resistance to deflation, show that the mere postponement of recovery is not the worst danger in the blind acceptance of this process. . . . Sooner or later it must be checked by deliberate effort.

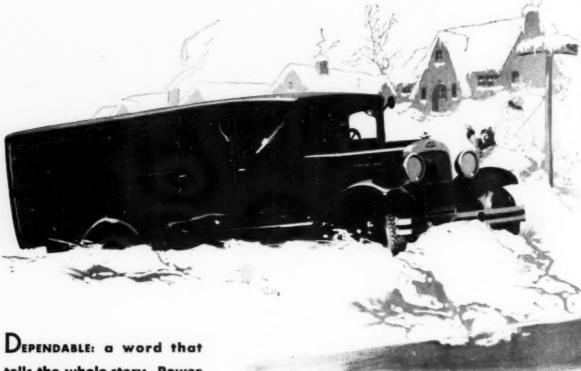
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What's In This Issue —And Why

Bills, Bills, Bills!

"THERE ought to be a law" to cure business depressions. Maybe it will be a bonus law. Congress has a satchelful of remedies, some pretty noxious, none very promising. (1900 6)

ONLY increase of bank money in circulation over and above immediate needs can end business stagnation. This must come in some fashion. Soldier bonus payment is one way, but for solid reasons, one of the poorest and least effective. (Editorial, pages §3-64)

Practices Made Perfect

"REVISION" is a mild word to describe what the Federal Trade Commission is doing to trade practice rules it once approved. What's left of the oil men's code isn't worth saving.

Cigars

What this country wanted in 1930 was a good 5¢ smoke. Sales declines on other cigars helped usher many a small manufacturer out of business, hastened the trend toward large units.

(page 10)

Rail Mergers

What are these construction projects the Eastern rail mergers will release? We name them specifically—\$1 billion worth. But work will not start in time to affect the present business depression. (page 18)

Small Borrowers

Two great companies dominate the small loan field; they loaned \$133 millions in 1930 to 743,-000 borrowers; both showed considerable gains over 1929. (page 24)

Cane Cutter

ALLIS-CHALMERS builds a mechanical cane harvester to do the work of 200 men; excited Cuban Congressmen propose prohibitive duties, prohibitive taxes on its use. (page 24)

Tube Rackets

SHARP tricks in the trade have demoralized the market in radio tubes. (page 8)

Capper-Kelly

IT is still H.R. 11; that is about all that is left of the Capper-Kelly Bill as passed by the House of Representatives. (page 8)

Automobiles

LOOKING back at 1930 and ahead to 1931, the motor industry lays its plans on a forecast of 4½ to 4½ million vehicles for the year. (page 9)

Canada's Banks

TEN banks, 4,000 branches, serve Canada; almost the last small bank has just been absorbed. Bank failures, 3 in 22 years. (page 11)

Durable Match

A VIENNESE chemist invents a match that can be lighted 600 times, that extinguishes itself, that is cheap. (page 12)

Canadian Branches

CANADA reared a towering tariff wall, called "Come on over!" Our manufacturers fairly leaped inside—as figures and names show.

(page 24)

Lancashire

EPITOME of Britain's trade, labor, and social problems, the lockout of 250,000 Lancashire cotton mill operatives is worth studying. (page 87)

Royal Salesman

AMERICANS interested in Argentine trade do not belittle Britain's great effort, or the Prince of Wales' popularity, but believe they can get the business, nevertheless.

Farmers

Drought legislation isn't ex post facto. Last year's drought never has been broken in some important areas. (page 20)

BUT, if nature gives them a chance, farmers may get an upswing late in what the Bureau of Agricultural Economics predicts will be a hard year. (90090 40)



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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending February 7, 1931

"There Ought to Be a Law—" To Cure Business Depression

So Congressmen and State Legislators Are Busy With Bills, of Which the Bonus Is Biggest

economic, one prompt and invariable popular reaction is, "There ought to be a law-

It was inevitable that the business depression would bring a bumper crop of bills designed to relieve want, cure this depression, prevent another. Consession has a hopper full of such bills, many of them extremely radical. Nearly all of them aim at inflation, great or small, direct or indirect.

The Extreme Proposal

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Most important is the soldier bonus. There are numerous bills before Congress. The most extreme is to pay now to all veterans the face value their 20year endowment policies would have at maturity in 1945. This calls for \$31/2 billions; 3½ million men would receive \$1,000 each, less \$300 millions they already have borrowed from the government, and nobody knows how many millions they have borrowed from banks on such collateral. Banks make no report of these loans.

Other bills range downward from this extreme to partial cash payment, and, most modest of all, to increase

FACED with any problem, social or present loan value of the endowment policies.

The scheme has frightened Wall Street and the banking community. Secretary Mellon officially denounced the most extreme proposal, with somewhat exaggerated prophecies of dire effects. But the American Legion gress and every state legislature in backs the plan and history teaches that veterans usually get what they want.

Shrewdest political forecasters believe some bonus bill will pass. If it calls for a sizeable sum, a veto is predicted. Past that point, the best of Washington observers split hopelessly. Half think it will be passed over veto; half think it cannot be. There does seem to be agreement that whatever bill passes will be whittled down from the \$31 billions

The Pro and Con

Arguments for the scheme are: (1) That it would aid needy veterans, many unemployed; the money is owed, and the government should pay now, because the veterans' need is never likely to be greater; (2) That it would release vast buying power, stimulate business, perhaps end the depression.

Arguments against: (1) Veterans

will need the money worse when they are older; (2) their families will lose the protection of insurance meanwhile; (3) this will not end veterans' demands, but, having spent this bonus, they will be in stronger position to demand pensions; (4) the operation of borrowing money to supply the Treasury with funds to pay this huge sum would wreck the bond market, retard business recovery, imperil banks, insurance companies by depressing prices of the securities in their portfolios, (5) it would increase the tax burden.

Considerable nonsense is being said on both sides. Some moderate compromise would neither be ruinous, nor very helpful. For an editorial analysis of the various arguments, and for The Business Week's conclusions, see pages

Laws, and Yet More Laws, Some Moderate, Some Wild

OUTRIGHT relief measures constitute one of the principal groups of bills inspired by the business situation. Chief among them is the attempt to appropriate \$25 millions to the Red Cross. Struggle over this measure continues bitterly. It and other such moves would be inflation; would increase the Treasury deficit. Relief undoubtedly is needed; the issue is whether it should be federal. A federal appropriation would set a precedent for government charity; might start in effect a dole system.

Large increase in public construction by federal, state, and municipal govern-



"AHEM!"

Reading from left to right, the Secretary of the Treasury, Andrew W. Mellon, the chairman of the Senate finance commiltee, James Watson, and the under-secretary of the Treasury, Ogden L. Mills, express their opinions on the bonus

ments already is planned, though benefits are yet scanty. New measures to speed up these projects now are before

Congress; are likely to pass.

Relief for agriculture has strong backing. Larger seed loans for agriculture already have been granted, and advances are being made. A moratorium on parts or all forms of agricultural indebtedness for 2 years is proposed. The best known project is for Federal Land Banks to postpone all collections on mortgages, to stop all foreclosures, and to borrow from the federal Treasury to pay interest on their bonds outstanding. Others plan a complete postponement of payments to public as well as private lenders. Just now these proposals appear to have small chance of passage, but their backing may increase. They would severely damage agricultural credit.

Debtor Relief

Other proposals for relief from present debt burdens, which have been tremendously increased by the large decline in commodity prices, are numerous. In at least one state a postponement of all tax payments is urged.

Increased demands for reduction or cancellation of war debts is another manifestation of depression-born legislation. The burden of these debts has been tremendously increased by price declines, business slump, and tariff walls. The drain of funds out of Germany to the Allied nations and thence to the United States artificially clogs international monetary machinery. This financial "engine trouble," frequently called the fundamental cause of depression, is having serious effects. Feeling grows that, sooner or later, Washington must soften its adamant refusal.

Two nations already have had to consider moratoriums, and more may follow. Mexico has suspended payments on her debt to international bankers for 2 years, and Peru will halt payments temporarily on hers.

The Direct-Action Group

The group advocating further direct action by the Federal Reserve System and other central banks gains numbers. This plan calls for direct central bank inflation to counteract the drastic deflation. Business would be stimulated, as would the bond and stock markets, by an increase in the supply of credit and a lowering of rates. Bankers opposing the plan hold ultimate deflation would bring even more serious results.

Many plans to fight unemployment are receiving serious consideration. depression. Bills for compulsory in- tariff board may alter rates in emergency surance are widely discussed. Nationwide employment agencies are proposed.

Anti-prohibitionists are taking advantage of the situation to urge the return of liquor, in order to employ workmen and increase federal and state taxation

Proposals for stricter bank regulation and for strengthening banking in other ways receive serious consideration. Many will be passed.

Silver Planks

Numerous plans to counteract the deflation of silver are of essentially inflationary type. The Chinese loan project would stimulate China, add to her purchasing power. Price stabilization, usually implying price increase, would counteract the terrific deflation that all silver money nations have had. Other plans call for remonetization of the metal; linking it with gold, increasing its uses.

Tariff increases on a long list of agricultural, dairy, and other products are proposed, many to the point of embargo, to aid domestic industry. A modification of the idea is to amend the

They are aimed to prevent recurrence of Tariff Act so the President and the within 50% without ascertaining the differences in costs of production.

The "Lunatic Fringe"

In addition to this long list to be taken more or less seriously, come a number of wild-eyed proposals. If all Washington suggestions were adopted. federal hospitals would adorn the countryside in each of the 435 congressional districts. Construction of dams and reservoirs for flood control, silt traps and check dams to fight soil erosion, and new federal highways to link the Atlantic and Pacific Coasts are urged in bills. Government loans to aid new railway building aim the same way.

To fight unemployment, the mobilization of all jobless men between 18 and 45 in a special army reserve is urged. A bill for a \$500-million bond issue for river and harbor projects is in the hopper. Government action to prohibit the use of power-driven machinery is urged as an aid to unemployment. And enough commissions to study depression and unemployment and find cures are proposed to give all the world's statisticians and economists permanent posts.



ST. PAUL WILL HAVE A CITY HALL

The new building will cost \$4 millions, one item in a \$16-million municipal improvement plan. On the wrecking crew which began work on the site are W. H. Oppenheimer (left), Ralph Budd, president of Great Northern, and A. W. Stewart, members of the building commission

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This bus has carried competition to the very rails. Equipped with two sets of wheels, it operates on both roads and rails, was developed by the London, Midland & Scottish Railways for branch line use. Eccentric hubs make the change from rails to roads a matter of minutes

Industries That Had Good Codes Will Now Use Good Lawyers

illustration of the difficulty met by the public and itself, wants and tries lawfully to put its house in order and make its operations conform to the best practices of the law of economics."

This wasn't all but it was the best that W. R. Boyd, Jr., executive vice-president of the American Petroleum Institute, could say this week when the Federal Trade Commission announced the results of the first of its scheduled revisions of trade conference rules adopted by industries in recent years and once "affirmatively approved" or "received as expressions of the trade" by the commission.

A Sweeping Revision

Mr. Boyd might well have found himself speechless, as other trade organization executives may if the commission continues to recant as hard as it has on approval and receipt of the petroleum industry's code of July 25, 1929.

Under its new policy of confining itself to practices which are actually illegal (The Business Week, April 30,

"THE commission's action is just another 1930), the commission has now rejected all 14 of the petroleum men's "Group every industry which, in the interest of 2" resolutions which, while never enforceable, had been benevolently "received" and published as part of the code. More surprising is the reduction of the 7 "Group 1" rules to 3. The commission had no change of heart about its original objections to lotteries, prizes, or wheels of fortune as sales stimulators. It is still willing to forbid sale of goods below cost but only if this is done with the effect, as well as the intent, of injuring a competitor and with the further effect of substantially lessening competition. It still denounces attempts to break contacts between competitors and their customers but requires to be shown that such attempts are made by "false and deceptive means" and with the purpose and effect of "unduly injuring competitors."

Under the commission's new suspicion, implanted by the Department of Justice, that industrial house-ordering sometimes tends to be more in the interest of industry than of the public, every other rule of conduct for the petroleum industry has gone by the

board. Even the surviving 3 will not be approved as amended unless the oil men bend the knee of acceptance within 60 days. And, in any event, "selfregulation of industry" under commission sponsorship now belongs to the history of lost causes.

As a result of the commission's action, many industries will withdraw their codes from the commission and proceed in the future with the advice of their own counsel. Some contend that the new policy is a reversal of the "rule of reason" enunciated by the U. S. Supreme Court when it stated in the Chicago Board of Trade case that "the test of legality is whether the restraint imposed is such as merely regulates and thereby promotes competition or whether it is such as may suppress or even destroy competition."

Trade Commission Is Free to Go Fishing

THE Federal Trade Commission's injuisitorial power was affirmed this week y the Court of Appeals of the District of Columbia.

On appeal taken from the lower court which condemned as unlawful the "fishing expeditions" of the commission into the affairs of private business, Justice Van Orsdel, one of the most conservative judges on the federal bench, held that the commission has authority under Sec. 9 of its organic act to require by subpoena the attendance and testimony of witnesses and the production of documentary evidence relating to any fact-finding investigations undertaken for the purpose of aiding Congress in legislating or the President in recommending legislation.

Safeguards Still Effective

Business need not worry about the court's decision, according to attorneys who for years have been in intimate contact with the commission's activities. They point out that under the constitutional safeguard against unlawful search and seizure, the U.S. Supreme Court has previously held that subpoenas duces tecum are unreasonable and cannot be enforced if they are too broad in scope and fail to specify dates and places related to the circumstances under

The District Court's decision holding that the commission's statutory authority to issue and enforce subpoenas cannot be enjoined arose out of an investigation of the milling and baking industry directed by the Senate in February,

1924. The commission sought to obtain papers from the files of the Millers National Federation and the testimony of certain witnesses at hearings in Chicago and Minneapolis.

Radio Dealers Upset By Tube "Rackets"

RADIO tube dealers are demanding that tube manufacturers adopt some kind of merchandising policy which will give

them price protection.

The retailer who buys his tubes in regular channels, gets the usual discount, and attempts to sell at list prices is complaining that he has to meet the competition of tubes cut 40% and 50% "off list" by such agencies as mail order houses, chain stores, and department stores.

Another complaint involves receiving-set manufacturers who buy tubes in quantities without carton to equip their sets. The discounts regularly

granted on such bulk sales are extreme, running as high as 70% or more.

Such tubes often turn up in surprising places. Careless or avaricious set makers buy more than their own legitimate set requirements, even ordering from several different sources and pyramiding allotments, later unloading their bargains. Or they get caught with an honest overstock and sell off some their 70%-discount-merchandise, further demoralizing an already demoralized market.

Retailers pose as jobbers, and demand wholesalers' discounts. Jobbers operate retail stores, and make large purchases as wholesalers which they later resell as retailers, but at a sharp

price concession.

Dealers are themselves involved in another complaint. This accuses their service men of finding it too frequently necessary to replace set-owners' tubes, too frequently profitable to pack the replaced tubes in new cartons to figure in, another cut-price sale.

It's Still "Capper-Kelly," But What's in a Name?

PROPONENTS of price-fixing legislation what type of price-fixing the bill still will assume a look-what-the-dogbrought-in attitude upon reading the final draft of the Capper-Kelly Bill as passed by the House of Representatives. Senator Capper and Representative Kelly probably have felt inclined to disclaim parenthood even after 20

years of nursing their baby.

It is still H.R. 11 and proclaims the same purpose in the preamble, but the actual provisions read like a magician's "Now you see it and now you don't." At the opening-"No contract relating to the sale of a commodity . . . shall be deemed unlawful, as against public policy . . . or in restraint . . . or in violation of any statute by reason of any agreement contained in such contract." But, Sec. 3 provides: "Nothing contained in this act shall be construed as legalizing any contract or agreement between producers or between wholesalers or between retailers as to sale or resale prices."

Whether trade-named, trade-marked, branded or not, necessities of life, meat, flour, agricultural implements, tools of trade, canned foods, clothing, shoes, hats are specifically excluded, and must not become the subject of any contract, if when and as someone discovers just

legalizes. Taken for granted that it does legalize some type, the vendee is specifically given leave to "resell at a price below the stipulated resale price which yields not less than 20% over the actual bona fide purchase price paid by him."

Also, any agreement may be disregarded if the owner wants to close out the line, if it's toward the end of season, if he has excessive inventories, lacks funds or credit. No excuse under which predatory price-cutting has been carried on in the past was overlooked by the amenders.

Still Hits Chains

A thrust at chain stores is retained. Whatever type of price-fixing the bill is still presumed to authorize, all purchasers in any city or town "shall be granted equal terms as to purchase and resale prices." Thus every independent retailer would have the right to buy under the same type of contract and at the same price as chain systems.

Originally designed to correct specific and very definite evils existing in several branches of trade, particularly wholesaling and retailing procedure, the Capper-Kelly Bill, due to confusing



WORLD'S BIGGEST Quite logically, it is on top of the James Dole cannery in Hawaii, where it serves as a water tower

and mutilating amendments, has lost all constructive force. As passed by the House the bill provides no clear definition of procedure. In the hands of the Interstate Commerce Committee of the Senate it will either be subjected to further amendments or, more likely, will be forgotten, in which event it loses its advance status (March 4) and lacking final enactment, will have to be re-introduced.

Meanwhile, opposition to any type of price-fixing legislation grows stead-

ily more formidable.

The insufficiency of the Capper-Kelly Bill to accomplish its purpose even in the form finally approved by the House Committee (The Business Week, Dec. 10, 1930) alienated many who originally supported the measure. The Associated Grocery Manufacturers of America on Jan. 19 passed a special resolution against its enactment and condemned the Capper-Kelly Bill as uneconomic legislation. Vigorous opposition is offered by the National Retail Dry Goods Association.

Chain store organizations are united in opposing it.

Motor Output for 1931 Is Set At Between 41/4 and 41/2 Millions

1930 Made the Saturation Point Look Nearer But It Doesn't Mean Much to the Industry

Now that final automotive production figures are available it is possible to obtain a fairly complete picture of last year's activities and to estimate what effect they will have upon 1931 records.

Total output of cars and trucks in the United States and Canada during 1930 was 3,509,062, 37% below 1929. Passenger car production was 2,939,791, 39% below 1929; truck output was 569,271, 30% under the previous year.

Foreign sales of 528,836 motor vehicles of American design during the first 11 months of 1930 made up 15.8% of production, compared with 956,896 or 17.4% of total output for the same period of 1929. Exports of complete cars and trucks from the United States declined 56% from 1929 totals; Canadian production—used for Canadian domestic sales and exports, chiefly to Great Britain and its possessions—declined 42%.

Sales of automobiles assembled abroad, chiefly from parts made in this country, dropped but 15% below 1929 levels. This relative stability of foreign assembly operations, despite world-wide depression, is striking evidence of the

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extent to which American automobile interests have penetrated foreign tariff walls and other import restrictions. There appears to be little doubt that the future will see an ever-increasing proportion of our automotive sales abroad.

During 1930 much has been made of the inroads of Ford, Chevrolet, Plymouth, and other low-priced cars upon those in the higher price classes. Final figures show that output of cars at wholesale prices below \$500-approximately equivalent to a retail price of \$700-increased from 54% of total production in 1929 to 61% in 1930. Proportionate output in the next higher price class, up to about \$1,500, declined from 41% of the total in 1929 to 34% last year. Cars selling for more than \$1,500 retail apparently were little affected by the low-price competition; their share of total production remained constant at 5% during the 2 years.

The effect of this competition from the good, low-priced car upon cars in much higher-price classes explains the ill-concealed consternation with which much of industry awaits further word of the 8-cylinder Ford, still in the rumor stage, but—against all their hopes and wishes—expected by most automotive men. With the public prestige which Ford's products have, with his undisputed capacity for making startling innovations successful, the effects upon the entire car market of an 8-cylinder car of typical Ford quality to sell for around \$1,000 would likely be little short of revolutionary.

An always interesting conjecture is how Ford acquired and retains his unique position before the public. Expert opinion believes that neither Ford engineering nor production talent is any better than that of companies with which he competes. Perhaps his greatest asset is his complete independence of boards of directors, of stockholders, of organization red tape or any of the other things which tend to hinder the progress of a new idea.

Doom Not So Certain

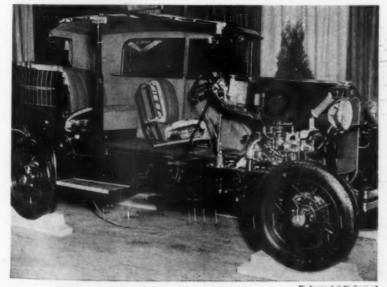
Perennially, automotive statisticians, usually outside the industry, threaten the approach of the much-dreaded "saturation point," when sales to new customers will depend upon increasing population only and replacements will constitute the chief market. These forecasters of doom have been particularly encouraged by 1930. According to best available registration data-still incomplete and always inaccurate—only about 200,000 cars and trucks were sold to brand-new customers last year. In other words, automobiles registered during 1930 totaled only 200,000 more than in 1929, indicating that about 2.7 millions of the 2.9 million automobiles available for domestic consumption, went for replacement purposes only.

Replacement Still Good

If these figures are approximately correct, in 1930, for the first time since 1917—when war activities scrambled production, sales, and registration data—automobiles in apparent use increased less rapidly than population. Whereas in 1929 there were about 4.58 persons per automobile, at the end of 1930 the number had increased to 4.61.

The industry long ago gave up worrying over this baneful prediction. With annual domestic consumption between 3 and 4 million, plus its ever growing—until last year—export sales, it will have ample outlets for normal operation. And, while it still tries hard to develop 2- and 3-car family markets and to obtain other new business, fillings the replacement market absorbs its products just as completely.

Forecasts of 1931 production are be-



Co

Nothing Hit It

This Ford, displayd at the Chicago Show, has been cut away so that even the paint and upholstery can be examined. It has no secrets

above 1930, 20% below 1929 and ap-

ing made very cautiously. An average proximately the same as 1928 producof many predictions places total output tion. Attainment of this total in 1931 somewhere between 4,250,000 and would satisfy most of the industry if 4,500,000. This would be about 20% the division of the spoils remains about as it is now,

1930 Burned Up Fewer Cigars; **Burned Out More Cigar Makers**

5¢ Smoke Made Best Showing in a Year That Hastened the Trend Toward Large Production Units

is staging an effective and definite comeback. The 1930 total United States production of cigars, 5,890 million, represents the lowest level reached since 1900, shows a decrease of 10.11% from 1929, and a 25% drop from the record year, 1920. But nickel cigars increased their percentage of total, represented 60.68% of 1930 production, against 55% of 1929's output, 33% of 1922's.

Terrific reductions have occurred in the ranks of small cigar manufacturers. Of 13,149 factories with less than million cigars annual output in 1921, only 7,694 remain. There were similar or even greater reductions in number of medium-sized independent factories. Only factories having annual outputs of 20 million cigars have increased.

Trend Toward Big Plants

Definite concentration of production capacity in large, mostly machineequipped factories is clearly indicated. While 36 factories of over 20 million cigars annual production represented but 25.7% of the 1921 total output, there are now 66 such large units and they produce 59% of the total.

Dominating the field and accounting for more than 25% of all the cigars made are General Cigar Co., Consolidated Cigar Co., Congress Cigar Co., American Cigar Co., and Bayuk Cigar Co. The balance of the output comes from 8,300 other factories.

The struggle for supremacy among the "Big 5" has been particularly hot since the American Tobacco Co., through its subsidiary, American Cigar Co., started spending a special \$12million appropriation (borrowed from Lucky Strike profits) to make Cremo the biggest 5¢ seller. General Cigar Co., maker of William Penn, nation's leading 5¢ cigar, is contesting the field. Important makers of brands popular

THE 5¢ cigar of pre-war popularity in specific territories are offering stubborn resistance.

A large Eastern manufacturer claims that his campaign in retort to Cremo observations on "spit tipping" has substantially increased sales of his own 5¢ cigar. But Mr. Hill is so well satisfied with the success of his drive into the 5¢ field that he is applying similarly spectacular methods to higher price classes -15¢, 2 for 25¢, 20¢, and 3 for 50¢.

Concentration of cigar manufacture has been reflected in greater concentration of tobacco production. Small tobacco farmers, packers, brokers find it difficult to market independently grown and cured crops. With their natural market, the small cigar maker, approaching extinction, they must pool their interests, strengthen their financial position so as to be in position to deal with the big interests on even terms, or sacrifice stocks at below-cost prices.

Fine grades of tobacco, now ready for use, are being bought at bargain prices, accumulated in central warehouses, and shipped to cigar-making plants as needed. To provide for the future, small growers and packers of tobacco, tired of taking the gamble with future crops, are signing contracts to produce next year specific grades of tobacco at stipulated prices.



GEORGE WASHINGTON HILL

Seldom photographed, never seen in print, the president of American Tobacco would rather run the spotlight than be in it. Shrewd merchandiser, relentless advertiser, he knows what the public wants-and proves it

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-Also Newspapers

International News

Gasoline stations are getting to be like drug stores; this chain sells magazines and papers by slot-machine. The customer is His Honor Mayor Porter, of Los Angeles

Canada's Last Small Bank Joins The Ranks of the Giants

Dominion Banking History Has Unusual Features; Item: A Record of Only 3 Failures Since 1909

ONE of the last survivors of a former banking era in Canada will disappear soon with formal absorption of the Weyburn Security Bank with some 30 branches in southern Saskatchewan by the Imperial Bank of Canada. The Weyburn Bank has flourished for years as a pygmy among the giants that have developed in the banking business of the Dominion during the past decade.

When the Weyburn Bank was formed in 1911, there were some 30 other banks in Canada, serving various more or less restricted areas. Bank failures in difficult times—the last, of the Home Bank about 10 years ago—and a series of mergers of stronger with weaker, has resulted today in Canada's banking business being done by only 10 chartered banks (after the passing of Weyburn), these institutions having approximately 4,000 branches.

Canada has seen some 33 bank mergers since 1867. It also has had some failures, 3 since 1909, a tremendous contrast with the more than 6,000 in the United States during the past decade. But today, with the Dominion's banking in the hands of

only 10 strong institutions, operating in most cases over the entire country and abroad, and with all these institutions reporting at the yearend an unusually strong liquid position, Canadians have unbounded faith that bank runs, with their disastrous losses and depressing effects, are troubles of the past.

Largest among Canadian banks stand the Royal Bank of Canada and the Bank of Montreal, each with close to \$1 billion in assets at the close of 1930 after a year of general depression. Not far behind is the Canadian Bank of Commerce with about \$800 millions of assets. The others taper downward in size to the Provincial Bank (French Canadian) with over \$50 millions of assets.

Of the 10 banks, the 2 French institutions alone have restricted operations to a limited territory, serving almost entirely the thrifty French population of Ouebec.

The new Barclay's Bank (Canada) has been excluded from this comparison, as it represents a new departure in the Dominion banking field (*The Business Week*, Sept. 7, 1929). Formed by

Barclay's Bank of London, with the first Canadian branch opened in September, 1929 in Montreal, it was the first banking institution backed by foreign capital to invade the Dominion. Barclay's plans to expand to other centers, like the purely Canadian institutions, and already has opened a branch in Toronto.

What chiefly distinguishes the Canadian banking system from that of most other countries is the absence of a central bank of issue comparable to the Federal Reserve system, the Bank of England, the Bank of France. The rediscount facilities which are provided in other countries by these central banks are carried on in Canada by the Minister of Finance, and he is permitted to issue Dominion notes against high-grade securities and commercial paper

Currency Provisions

Apart from this proviso for purposes of circulation, the Dominion may issue \$50 millions of notes against 25% gold. Any issues above this amount must in normal times be backed dollar for dollar by gold. The banks may issue notes of \$5 and multiples thereof up to the amount of their paid-in capital, together with gold or Dominion notes deposited in the central gold reserves.

Due to the centralization of the Canadian banking system, steps can be and are taken to prevent the possibility of undue strain on any bank. At present, the Dominion government is guaranteeing the banks against loss in the event that the price of Canadian wheat sinks below the 50¢ a bushel advanced by them. Also the banks have given full cooperation in the formation of a safeguarding stock exchange pool, intended to prevent panicky selling of stocks in case prices fall much below recent low levels.

The Army of Stockholders Enlists Another Million

BUSINESS depression and stock price declines combined did not discourage purchasing of common stock in 1930, evidence indicates. On the last dividend date prior to Dec. 1, 1930, 128 leading corporations had 7,300,000 stockholders, according to Forbes—compared with 6,400,000 at the end of 1929 and 4,200,000 at the end of 1928.

Nine companies had more than 100,000 stockholders at the end of 1929; 12 had passed the 100,000 mark before 1930 closed its books.

American Telephone & Telegraph again tops the list with 540,000 (of



WELL, MR. KREUGER?

Ferdinand Ringer, Viennese chemist, has invented a match which can be lit hundreds of times. If what he claims is true, Ivar Kreuger, the Swedish match king, should be interested

which no individual has 1%). Cities Dividend Payments Are Service is second with 502,420. Following in order and all with more than 100,000 stockholders come General Motors, Pennsylvania Railroad, Transamerica, Associated Gas & Electric, United States Steel, Commonwealth & Southern, Pennroad Corp., Electric Bond & Share, and Standard Oil of New Jersey.

Utility concerns showed the largest percentage gain of shareholders during 1930, automobile companies second.

Trade Winds, published by the Union Trust Co., of Cleveland, says that 23% of 1,500,000 employees hold stock in the company which pays them wages-compared with 20% in 1929.

New York Handles 42% of Our Foreign Trade

New York boasts another biggest, even in a depression year. Up to Nov. 30, 1930, the port of New York had handled more of the country's foreign trade than the combined total for Boston, Philadelphia, and Baltimore; handled 42% of our foreign trade.

Despite the enviable total, *onnage was off 21%, values 30%, from the high of 1929. Export values were off 27%; imports 32%.

Difficult to Compare

TOTAL of dividend payments by corporations during January was \$394,-571,195, increase of 59%, New York Times compilations report. But figures for January this year cover 1,183 corporations, compared with 702 concerns a year ago. This increase of 68% vitiates the comparison. Increases from a year ago on this basis are shown by the following groups: banks and insurance companies, food and packing, motor equipment, oils, public utilities, railroads, steels, tobaccos, miscellaneous. Decreases are shown by chain stores, department stores, mail order houses, copper, motor, and railroad equipment companies.

Utility Issues Were Heaviest in January

New capital raised in the securities markets totaling \$640,565,000 in January was almost entirely by bonds, continuing the trend existing since the stock market crash in November 1929. The total was largest since July, 1930, according to New York Times compilations, but smellest for any January since 1926. Of the total, \$614,565,000 was

bond issues and \$25,881,000 stock issues, the latter being put out almost entirely by public utilities.

Public utilities likewise accounted for most of the funds raised through bond issues \$282 millions largest utility total in just a year. Railroad bond flotations were next, with \$105 millions. largest since March, 1930. Foreign issues totaled \$100 millions, largest foreign borrowing since October, 1930. Industrial corporations sold \$65 millions of bonds and states and municipalities \$55 millions.

600-Light Match Is A Stick of Chemicals

EUROPEAN NEWS BUREAU-"Borrow your match?" will become a commonplace if the invention of the Austrian scientist, Dr. Ferdinand Ringer, is found practical when put into production. And the traditional match industry will have a potent rival.

The invention isn't really a match. It is a lighting stick, capable of being lighted 600 times before it is worn out. Its stone-like stem is made of chemical materials which feed the ignited fire. When struck, burning gases develop. Potassium chlorate, quickly ignited as in ordinary matches, causes gases to be released from the chemicals which make up the stick. But when these burning gases develop a certain heat, this rise of temperature liberates nitrogen gas in the mass which chokes the flame, though not too quickly to allow lighting a fire or a cigarette. This process can be repeated as often as desired.

A lighting stick as big as an ordinary match could be lighted 600 times, declared the inventor in an interview with The Business Week's Vienna correspondent, and one of the big lighting sticks proposed for use in kitchens could be lighted 2,000 times.

To quote the inventor: ". . . and 600 lightings with one of my matches will cost less than an ordinary box of matches. The material in the match is non-poisonous. If a person drops a lighted match on the floor, contact with a solid mass immediately extinguishes it. The machine which produces these matches is like a machine which makes macaroni. A chemical mass is pressed through it and cut to the right length before solidifying.'

American banking interests and the Swedish Match Trust are reported to have negotiated with Dr. Ringer for the purchase of his patent but so far no agreement has been made.

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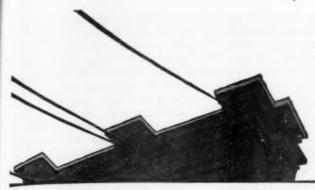
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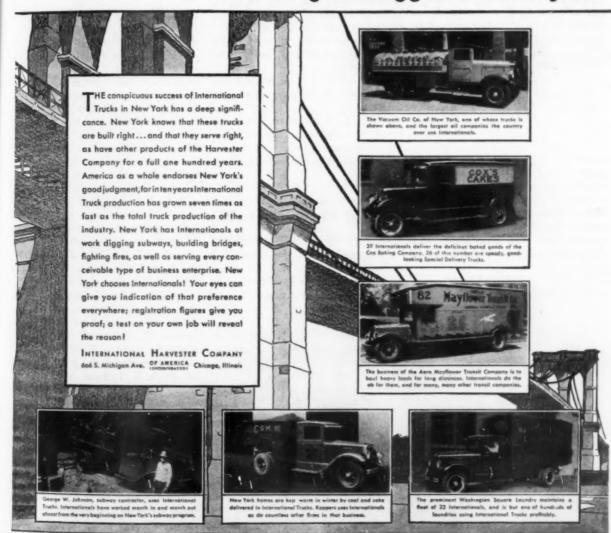




In the Biggest City in the Country

INTERNATIONALS

are Doing the Biggest Kind of Jobs



INTERNATIONAL TRUCKS

Small Loans Concerns Did Big 1930 Business

SMALL LOAN companies did greater volume of business in 1930 than in 1929, a development somewhat to be expected during depression. The two large companies which dominate the "personal finance" field, doing business under the uniform small loan laws and lending up to \$300, report substantial

Beneficial Industrial Loan Corp. and affiliated companies extended more than \$66 millions of credits, an increase of 12.8% over 1929. More than 413,000 families were served, the average loan being \$150. The depression brought a larger number of applicants for loans, but they asked for smaller loans. Collections were slower during the year and greater leniency was necessary. Loans are made with chattel mortgage as security and surrenders were only 0.025%. Beneficial made \$100,000 available interest free to aid unemployed families and build goodwill during the year (The Business Week, Nov. 26, 1930.)

Household Finance Corp., the other large concern in the field, for the first time exceeded Beneficial in loan volume, extending \$66,700,000, an increase of 18.8% from 1929. Some 330,000 families were customers, the wage earners being in 1,700 different occupations. The average loan was higher than Beneficial's. The net income of the company rose 20% from 1929. Bad debts amounted to 1.02% of the year's loan volume.

by these figures. Beneficial operates modernization deferred payment plan 318 offices in 24 states. Household has 128 offices in 71 cities. Household opened 12 new offices in 10 new cities during the year, while Beneficial opened 68 new offices. While much business is done outside these two concerns, the loan volume of the next largest company in the field is about one-fifth that of either of the two leaders.

Under the small loan law operative in most states the companies can charge 31% per month on unpaid balances. Household charges 21%, Beneficial the maximum rate.

1931 Construction Total Set at \$8,712 Millions

CONSTRUCTION amounting to \$8,712 millions is estimated for 1931 by Engineering New-Record this week. This compares with \$7,800 millions last year, \$9,130 millions in 1929, and \$10 billion in 1928

Public works construction will total \$3,824 millions this year, according to the estimates. Utilities will spend \$1,473 millions on construction, industry \$550 millions, business and commerce (stores, factories, warehouses) \$1,485 millions, home-builders, \$1,380

Allowed 12 Months to Pav For Home Modernization

In cooperation with the Weatherbest Stained Shingle Co. of North Tona-The rapid growth and wide extent wanda, N. Y., Great Lakes Commercial of the small loan business is attested Corp. of Buffalo has developed a home for Weatherbest dealers. Under the plan, the dealer receives a check in full payment of the amount of the building contract, covering both materials and labor, as soon as the job is finished. The home owner pays Great Lakes Commercial direct in monthly instalments. Financing rates are based on a charge of 9% for complete payment in 12 months with 1% added or deducted for each month over or under 12 in which payments are completed.

No mortgage secures the loan; it is made on a basis of character only. A special form of contract makes other materials dealers and subcontractors furnishing materials or labor co-indorsers with the Weatherbest dealer.

Cane Cutter Makes The Cubans Angry

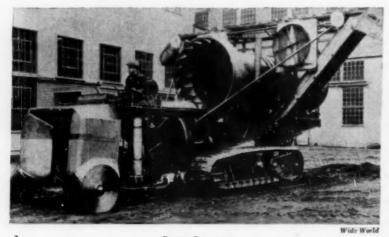
A GARGANTUAN steel monster roared out of the shops of the Allis Chalmers Mfg. Co. at Milwaukee, Wis. It reared up on endless treads to lift its tunnellike throat clear from the ground. The single operator perched atop this nightmare of a machine-for all the world like an American mahout on a mechanical elephant-made it lunge forward with knives whirling, drums turning, conveyors racing, and fans blowing.

A week later, a loud protest roared out of the Cuban Congress. Verbal fury lashed the machine from Milwaukee, which threatened to replace thousands of native laborers. A single machine, it was boasted by designers, would do the work of 200 men, and 6 were to be shipped to Cuba. Cubans proposed a customs duty of \$100,000 on every machine, and an annual tax for the same amount. Clandestine use would be punishable by a fine of \$200,000.

The harvester is the joint invention of Ralph S. Falkiner, wealthy Australian sheep breeder, and his associate Walter G. Charley, who possesses the mechanical turn of mind. Some years ago, one of the early machines put together in Australia was brought to Cuba. It showed such possibilities that the Punta Alegre Sugar Co. bought it.

Encouraged, the Australians came to Milwaukee with their blueprints and hopes and Allis Chalmers has the contract to turn out 14 of them. The first has thundered into life and is hard at work in Florida.

While peon labor is raising a hue and cry against its use, the inventors are working on a machine to plant the cane.



CANE CUTTER

This behemoth of the fields does the work of 200 men with machetes. It goes down I row at a time, cuts the cane below the ground, loads cleaned, chopped cane directly into tractor-drawn carts

Hang your plans for the future on facts

AN OPEN LETTER TO THE SOBER-HEADED BUSINESS MEN,
MANUFACTURERS, AND ADVERTISING EXECUTIVES
OF AMERICA. SECOND LETTER OF A SERIES

Check this statement in 1932

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The Literary Digest believes in facing the facts. Its editorial and advertising policies have always been planned on that safe principle. Its own problems for 1931 and 1932 and every year thereafter will be studied and solved the same way.

Now, more than ever, those businesses that base their decisions on something more than ambition and hope and enthusiasm and wishing-rings will march the highroads of success. This is a time for deep thought and accurate action . . . for reasonable advance whenever and wherever the facts may lead.

For many years, The Literary Digest has been recognized as the sounding board of American opinion. Its pre-election poll, its prohibition poll and its radio news broadcasts have been part of the nation's working information, part of its fund of facts by which conclusions are drawn and actions decided. Week in and week out, the advertising pages bring steady, significant returns

-marking the true national reaction to any product or service.

Now the Digest advises all good business men to hang this year's advertising plans on facts ... on facts like these:

Digest readers form a great public of prosperous, progressive

The Literary Digest has shown that quality circulation does not necessarily come in small packages. By selecting its circulation from homes with telephones, it has grouped more than a million alert and active American families—proved responsive to advertising because their subscriptions were secured by advertising.

Over 70% of its readers are executives, owners of businesses or professional people. The Digest reaches 37% of all families with incomes of \$10,000 and up. Its list of subscribers is a roster of ready buyers in the upper income brackets.

For 1931, advertisers buy a guaranied average circulation of 1,400,000 preferred prospects. families — intelligent, alert buyers of everything — people of steady income and sound, increasing standards.

The stability of this magazine and of its readers is evident from the fact that the Digest's regular public contacts will be continued, on an even larger scale in 1931.

Readers of the Digest are not cutting their purchases of this "basic commodity." The Digest has the largest magazine subscription revenue in the world.

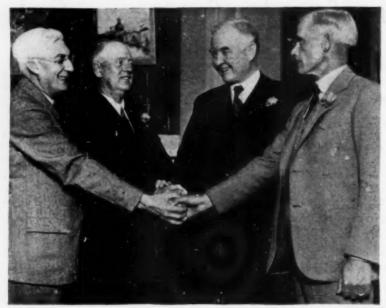
The fact that practically all Digest subscribers buy for one year only and pay the full price—plus the fact that the Digest's success has constantly increased—shows that these people are able and willing to Buy Now.

To the advertisers of 1931, The Literary Digest offers a guaranteed circulation of 1,400,000 constant readers . . . living decently and comfortably and well . . . good customers this year and next year, and every year. Tell your story to these responsible people, whose favor and friendship mean prosperity for your product.

* The Literary Digest *

SOUNDING BOARD OF AMERICAN OPINION

"The Literary Digest is known to students of the publication industry as the sounding board of American opinion more than any other single periodical in the history of the nation. Its finger laid on the pulse of the people has registered time and again the one sure index to the state of the nation as a whole."



THE WESTERN PACIFIC BREAKS INTO SAN FRANCISCO Which accounts for the smiling faces of (left to right) Mayor Taylor of San Mateo, Mayor Stafford of Redwood City, President Adams of the Western Pacific, and Mayor Buck of Burlingame

Just What Specific Projects Rail Mergers Will Release

Total Program \$1 Billion But for the Moment Consolidation Plans Are a Brake, Not a Stimulus

agreement among the Eastern railroad business situation. trunk lines for a 4-system merger (The would speed up construction. "Such questions as electrification, linking up of different railroads, development of terminals and many other major improvements have been retarded," he said, "because of the uncertainty with respect to the position which particular roads are to occupy in the permanent grouping.

Investigation by The Business Week reveals that, as the President said, capital improvements costing well over \$1 billion will be undertaken by the Eastern roads when the uncertainties of consolidation are removed. But pending definite completion of the merger, the roads hesitate to go ahead with immediate construction jobs. Instead of an immediate stimulus, the merger talk is thus temporarily a brake. It is plain the construction prompted or released by the Eastern mergers will be The Philadelphia undertaking will

PRESIDENT HOOVER, announcing an too late to have any effect on the present

That the projects already planned, Business Week, Jan. 7) declared it cost-estimated, blue-printed, and placed on the shelves of rail engineering offices will some day create more jobs for certain types of railroad labor is a suggestion which is interesting the unions. Some observers believe that for many years these new jobs will outnumber any reduction in payroll due to any economies of consolidated operation.

Pennsy to Electrify

Among the more important construction projects which may be expected is the gradual extension of the Pennsylvania Railroad's electrification between New York and Washington and between Philadelphia and Pittsburgh, and the rearrangement of the Pennsylvania's tracks and terminals in Philadelphia. The Philadelphia project, together with New York-Washington electrification, will cost \$100 millions.

amount to a virtual remaking of an im. portant section of the city and will take several years.

Another outstanding job will be the electrification of the New York Central's main line from the outskirts of New York (Harmon) through to Syracuse, N. Y., and eventually to Buf. falo. Plans for this project are understood to be in preparation. Total cost of the job will approach \$150 millions.

Lackawanna Projects

The Delaware, Lackawanna & Western, which goes to the New York Central under the terms of the merger agreement, will extend electrification of its tracks from Dover, N. J. to Scranton, Pa. (100 miles) and later from Scranton to Buffalo (262 miles). When these two projects are completed, the New York Central will have under its ownership two electrified lines from New York to Buffalo.

Acquisition of the Reading-Jersey Central system by the Baltimore & Ohio, as proposed in the agreement, will almost certainly result in an electrified line from New York to Washington to compete with the Pennsylvania. This will involve electrification of the Reading-Jersey Central from New York to Philadelphia, long contemplated, and only waiting for more settled conditions in the railroad field. and of the Baltimore & Ohio from Philadelphia to Washington.

Typical of the terminal developments likely to result from the merger is the much-discussed station or stations in Manhattan for the lines which now deposit passengers and freight on the New Jersey side of the Hudson River.

Manhattan Terminals

Many observers believe the Baltimore & Ohio, the Lackawanna, and the Erie will be able to get together in a union terminal in New York City proper. If this cannot be done, it is certain that at least the Baltimore & Ohio will construct one "on its own" to accommodate also the Reading-Jersey Central system.

Rebuilding and relocation of stations will make necessary much new track construction. For instance, it is thought probable the Reading-Jersey Central will lay added trackage into its present terminal on the Jersey side which will be used to handle a growing commuter traffic until a new station is built in New York; then it will be converted to handle freight exclusively.

Other stations are planned along the lines. The Baltimore & Ohio will have a new station in Philadelphia and the of an imd will take

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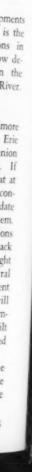
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come to pass what has long been discussed—the grouping of various roads entering the city into fewer stations and electrification within the city limits at

To Improve Ports

More settled times will also see the Eastern carriers active in the expansion of port facilities in New York, Philadelphia, Baltimore, and Norfolk-Newport News, Va. If, as the railroads hope, they are permitted to operate ships in coast-wise service, there will be considerable activity in the construction of docks and warehouses at the ports already mentioned.

To go into reverse, the merger in one important instance will obviate the necessity for a big piece of work. The Baltimore & Ohio, acquiring the Buffalo & Susquehanna for a short line across Pennsylvania, had planned construction of a 180-mile link connecting that road with the Reading. The merger agreement, however, gives the B. & O. running rights over the Pennsylvania's north-central division from Williamsport to Driftwood, and the new line will not be built.

Just how far rail executives will decide to go in improving and increasing the passenger-carrying facilities, and

New York Central one in Syracuse, how soon they will undertake the job, tion work as requested by President N. Y. In Chicago, it is thought, will is conjectural. The airplane is an uncertain factor which many railroad men are studying before committing their companies to large capital investments to handle long-distance traffic.

The commuter business is a different story. Every road which handles this type of traffic (and a majority of the roads included in the merger have a heavy commuter business) will make comprehensive plans for serving the growing army of commuters, a form of traffic which may yet become one of the most lucrative branches of railroading, and which, transportation authorities say, can only be handled by train.

New Motive Power

Large investments will be made, by the 4 trunk lines and their acquired properties, in new motive power. A settlement of the merger question will hasten these outlays. The passenger engine on a heavy-traffic line which cannot pick up 15 steel Pullmans and wheel them at 80 miles an hour is considered obsolete today, and the roads are operating with motive power 35% of which is more than 20 years old.

Rail executives have little to say about construction in 1931. Apparently there is a feeling among them that the railroads did their part during 1930 in maintaining the usual level of construc-

Hoover; that 1931 will see no increase in expenditures for capital improvements. Indeed, the Pennsylvania and New York Central have no set schedule of construction this year-will merely carry on such specific jobs as arise in the course of events. Railway Age gives \$700 millions as an estimate of the construction budgets of the roads this year as compared with \$800 millions in 1930.

Select Proving Ground For Street Car Models

A "PROVING GROUND" for street cars where the performance of newly designed rail vehicles equipped with all the latest gadgets can be studied under varied service conditions is to be set up in Brooklyn, N. Y. by the Electric Railway Presidents' Conference Committee

Electric railway operating companies and manufacturers of cars and equipment will cooperate in maintaining it. Car designers can test, car makers demonstrate, car buyers observe improvements in such fields as noise reduction. increase of speed, added safety, acceleration and braking. Cars designed and built by operating companies will be given the same consideration as those developed by the manufacturers.

Brooklyn was selected as the proving ground because the surface lines system of the Brooklyn & Queens Transit Corp. has standard gauge track, both paved and unpaved, so situated that research can be conducted without interfering with regular operation, and its routes have a wide variety of traffic conditions.

Portland Cement Plants Are Safer Than Ever

Continuing to set a safety example for American industries during 1930. portland cement plants set still higher safety records when 43 plants completed the year without a lost-time or fatal accident. While total production of the industry was only 5% below that of 1929, the Portland Cement Association reports that accidents of all types decreased 28%. Of the total 43 no-accident plants, 26 for the first time operated a calendar year without an

Full credit for this achievement is given to a consistent safety campaign inaugurated in 1924 and continued ever since.



THEY MOVED A BOUNDARY

Herman Trelle of Wembley, Alberta, and Mrs. Trelle grew prize wheat. More important, they moved Canada's wheat line 700 miles northward, won a trip around the world on the Canadian Pacific's new Empress of Britain

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Enterprises which desire to share in the billions spent in the populous Eastern area can do so by coming to Philadelphia.

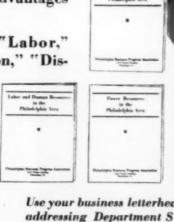
in Philadelphia

This Association will supply facts showing the superior advantages of Philadelphia.

General reports on "Labor," "Power," "Transportation," "Dis-

tribution and Production" and "The Real Philadelphia" are instantly available.

Specific data applying to your individual problem will be prepared promptly.





DELPHIA Progress Association Business 1442 Widener Building, Philadelphia

Cut your Costs by Using a Base

The Drought Isn't Over; Farms, Utilities, Cities Worry

has never been broken, in some areas. Other new areas are beginning to worry. If it doesn't rain, the distress that followed the drought last year will be nothing compared to the disaster

to come this year.

In 11 states which lacked normal rainfall prior to the close of the last crop season, the precipitation has been even less this winter. This area includes New York, Pennsylvania, Maryland, Delaware, West Virginia, Kentucky, Ohio, Indiana, Illinois, Michigan and Wisconsin. In New Jersey, Virginia, and Tennessee, precipitation has increased slightly but remains below normal. In Maryland, Virginia, and West Virginia, rainfall has been subnormal every month for 14 consecutive months; in the Ohio valley states, since last March.

In the South generally the ground is now fairly well supplied with water. Conditions are favorable in the great plains. Livestock are doing well over most of the great Western sections because of the mild temperatures and continued free ranging, with wheat fields furnishing much pasturage in the Southwest as far north as Kansas. The main wheat area is free from snow but little harm has been done, as the winter has been mild.

Deserts Got the Rain

A study of the 1930 rainfall record reveals that, averaged for the entire country, precipitation was 13% below normal. While this fact is not so striking, the localized geographic distribution of the drought and the fact that the critical shortages occurred in the growing season give the situation far greater importance.

Strangely enough, the arid parts of the country were relatively wet, while the humid regions were dry; rainfall above normal occurred in the Rocky Mountain states and Great Basin region. Oklahoma, for instance, had a percentage of annual rainfall of 120%, northern Texas, Nevada and Colorado, 110%, southern Nebraska, 130%

Rainfall for May, June, and July was half the normal, however, in the region included in a broad belt trending southwestward from the Middle Atlantic area to Arkansas. The summer deficiencies of the Middle Atlantic states and the

THERE still is a drought. Last summer's Ohio Valley-Missouri region far exceed those of any other year on record. The effect of the concentration of rainfall shortage was sharply intensified by the severe and prolonged heat.

> With the opening of the growing season only two months away, heavy soaking rains are needed to replenish subsoil moisture. Top soil in most places is said to be sufficiently moist to permit planting, but unless the deeper soil is moistened soon in the large area extending eastward from the Mississippi valley, the summer crops will be quick to feel even a moderate iack of rainfall. Unless deficiency of rainfall is made up by April 1, the new season will open under conditions much more unfavorable than last year.

Lack of Rainfall Hits Power, Water Supply

WATER power production decreased in 1930 by 5% compared with the preceding year. While reduced industrial activity accounted for part of this, by far the greatest factor was the drought. The ratio of water to steam-electric power

FARM LOAN DIRECTOR

T. Weed Harvey, chief of extension work of the Department of Agriculture, at his desk in St. Louis. He has charge of federal farm loans in 7 central states

(March to November) dropped from 41% to 28%. Pacific Coast utilities however, show more hydro power generated in 1930 than in 1929.

mar

The full effect of the drought on water supplies is not yet known. The eastern half of the country was hardes Many municipal supplies were pinched for water in August and September. Some cities, notably Shelbyville Ky., even resorted to bringing in water in railroad tank cars. Many went into 1931 with a serious deficiency.

Farmer May Get Upturn In Second Half of Year

THE farm outlook for this year, as forecast by the Bureau of Agricultural Economics, brings little comfort to those who have been hoping for an early upswing in agricultural conditions. Last year farmers lost some \$10 billions by the drought and the sweeping slashes in prices for their products, and this year may prove just as hard. Some prospect for a gradual recovery is foreseen. but the bureau states that it is not likely to take place before the second half of the year, when the demand for farm products is expected to improve with the probable upturn in business activity.

Among the least encouraging are the prospects for wheat and cotton. In both instances, the stocks are expected to be abnormally large so that prices will probably continue low. These two products are now selling for about half of their prices a year ago. Oats and barley will be in smaller demand; corn prices will be lower, but some improvement is

seen for cash corn.

Cattle Prices Promising

The hog industry is expected to be in a more favorable position beginning October, due to smaller supplies, lower feed costs, and improved demand. Cattle prices also are expected to show improvement during the second half of the year. The upswing in cattle production which began in 1928 is likely to continue, but at a more moderate rate. The sheep industry needs to reduce breeding stock despite the probable increase in demand in the immediate future. Sheep population at the beginning of this year was at a record level. World wool production remains very high and, while current low prices may cause curtailment, the reduction in 1931 is not expected to be substantial.

The dairy outlook is for continued low prices. Domestic prices for dairy products are nearly at the world level.

but the American industry has no outlet in foreign markets. Moreover, the demand for dairy products has fallen off considerably, as is evident from the reduced consumption of milk and the failure of lower prices to stimulate butter consumption. Poultry prices should be higher in the first half of this year than they were during the same period n 1930, while the price of eggs is expected to improve in the second half of the year.

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The outlook for tobacco is less favorable due to diminished demand; acreage reduction would, therefore, be in order. For the first time since 1920 cigarette consumption in this country failed last year to show the usual gain of 9% to 12%; the increase was only 15 above the 1929 level. Cigar production continued to decline at a faster rate: consumption of 5e cigars increased in ratio to total consumption but the number manufactured remained practically unchanged; that of the medium and higher priced classes fell off. Chewing and smoking tobacco sales declined further, but snuff consumption registered an increase.

Fruits and Vegetables

As to fruits, the bureau says: The commercial production of apples can be maintained for some years and might be easily increased, foreign demand for the higher grades continuing good; in most of the peach-growing areas the prospective changes are moderate; orange production continues upward and does not appear excessive, but the rapidly expanding grapefruit yields may lead to overproduction unless consumption should increase more than is expected; strawberry acreage in 1931 is likely to be much smaller than the acreage harvested in any year since 1926; although grape production has passed the peak, the acreage is still large and the prospective surpluses during the next several years may cause marketing difficulties and a continuation of low

Regarding vegetables: The probable increase in potato supplies in the 1931 crop year will more than offset any increase in demand; after the bumper onion crop in 1930, total acreage, especially in the late crop states, should be reduced; cabbage growers in the late states will receive lower prices than in 1930 unless acreage is reduced; production of tomatoes has been growing too rapidly and a decrease in acreage is desirable; lettuce growers should guard against overexpansion and should give more attention to marketing plans.



We can Count your Chickens before they're Hatched

A customer of ours builds incubators. Not keroseneburning Suburban Heights models, but titanic steamheated steel hens capable of incubating up to 300,000 eggs in one set-mass production chick factories that turn out seven or eight capacity hatchings in a season. In these huge incubators the whole trick is maintaining a constant circulation of air at 104° F. - and that's where we come in. It's done with fans, as many as 60 sixteen-inch built-in R & M Fans in one battery, and no ordinary fans either, for there's a difficulty you'd never imagine. Down! The soft loose silky down of newly-hatched chicks that sifts into ordinary fan-motor bearings and grinds them to pieces like emery. One fan failure would mean several thousand spoiled eggs -no small loss. But in all the years these giant hatcheries have been operating with heat-proof, down-proof R & M Fans, their only production failures have been traceable to bungled barnyard biology.

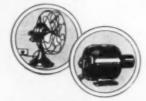
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1931

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SECLUSION

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Los Angeles Cinches Title as Tire Center

In June, 1918, in a small shop at Compton near Los Angeles, A. Schleicher manufactured an automobile tire, put it on his shoulder, and went out and sold it. Flushed with success, he manufactured another which he also sold. A tire a day kept the sheriff away. He named his brand "Samson." Presently he had 25 employees and later more than 2,000.

East Joins West

In January, 1931, his plant became the Samson Tire & Rubber Corp., Division of the U. S. Rubber Co., (The Business Week, Feb. 4). Output was 5,000 tires and 7,000 inner tubes a day with machinery being rushed from the East to double this capacity. The first successful Pacific Coast tire manufacturer had merged with the oldest rubber manufacturer in the United States. U. S. tires were, for the first time in company history, being manufactured west of Indianapolis.

In the 10-year interval lies interesting history. Beginning at nothing in 1918, Los Angeles in 1928 was the world's second tire manufacturing center. Into the area had come Goodyear, Goodrich, Firestone, and Samson with plants costing \$30 millions. During 1929 these companies heavily increased their local production capacity—Goodyear, 25%; Samson, 50%; Goodrich, 50%; Firestone, 100%. "U. S." will bring the Los Angeles production capacity up to 50,000 tires and 55,000 inner tubes a day.

More Tires per Capita

Reasons are purely economic. The Los Angeles area buys more tires per capita than any other section of the United States. California's 11 southern counties buy 45% of all new cars sold on the Pacific Coast. California alone has 1,974,341 licensed automobilesone for each 2.8 of the inhabitants, against one for each 4.6 in the nation. In 1930, 1,864,000 people arrived in California in 675,053 automobiles, 200,-000 of which came from the mid-West and East-and a trip across the continent is often conducive to new tires. In addition, the California tourist travels more miles in 12 months than any other American. Finally, the 3 Pacific Coast states now assemble 45% of all the new passenger cars which they buy, thus furnishing an important market for new equipment.

Another reason for this concentration

of tire companies along the Pacific is the availability of raw materials. Crude rubber from Singapore and the Straits Settlements arrives at Los Angeles Harbor at a freight rate \$7 less per net Schleicher ton than the rate of Akron. The 1930 ire, put it local imports reached 78 million and sold pounds, a 23½% increase over 1929. Imperial Valley, 100 miles east of Los Angeles, is an extensive producer of long staple cotton which is found to fill all requirements from a fabric stand-

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A final determining factor is the availability of markets. Pacific Coast business men point out that the 11 Western states can be most economically served from points along the Pacific; that Western Mexico, the West Coast of South America, Hawaii, and the Orient are within close reach; that tires shipped from Los Angeles through the Canal can be laid down in New York and Boston as cheaply as from Akron.

J. F. O'Shaughnessy, general manager of the U. S. Rubber Co., adds: "Los Angeles is the nearest port to our 130,000 producing acres in Malaya and Sumatra which supply our latex and crude rubber. Ships bearing this rubber and latex from the Far East will return with Los Angeles-made tires."

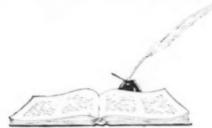
The Gas-Glow Tube Gets Into the Lighting Circuit

Somewhat sooner than anticipated (The Business Week, Dec. 31, 1930), gas-glow, luminous tubes are being offered commercially for general illuminating purposes. Claude Neon Lights, Inc. announced last week that it has developed neon-type tubes to operate on standard 110-220 volt circuits, which are applicable to commercial, industrial, and special residential lighting.

A practical installation of gas-glow tubes has been made in the company's Long Island City plant, where it provides remarkably good working light evenly diffused over working surfaces, high illumination, no appreciable glare, and almost complete elimination of shadows.

The new Claude Neon low-voltage units are said to have a minimum life of 3,000 hours. In the production of blue or green light-direct instead of by the use of colored glass or filtersgas-glow tubes are said to require about one-fifth the current needed to provide the same amount of light with incandescent lamps; red light requires about one-third as much, while white calls for only about one-half.

SELF-ANALYSIS



HIS is a period of self-analysis for corporations as well as individuals. Self-analysis is an outstanding characteristic of the managements of the great corporations today in order to effect all possible economies in this period of unusual business conditions and to prepare, through readjustments, for the better times ahead.

Through forty years we have been engaged at various times by the management of many great corporations in this country to assist in the problems of self-analysis. Today we have a large number of men engaged in such work.

This is a regular part of our business.

In order to be most effective we maintain a large staff of specialists composed of men of wide experience. They have acquired a broad viewpoint, not only through actually assisting in such problems, but by constantly keeping abreast of the times. This is made possible through their contacts with engineering and construction problems and their familiarity with fundamental economics.

Our men are immediately available to you.

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"MR. BENNETT --- MR. STIMSON"

The Premier of Canada is welcomed to Washington by the Secretary of State. Mr. Bennett later left for New York, conferred with Steel's Mr. Farrell; the Hotel Plaza hoisted a Canadian flag

American Business Is Accepting Mr. Bennett's "Strong Invitation"

His Tariff Brought 65 Branches in 1930; 15 Hot Prospects; 52 Inquiries, Profitable Alliances

DURING 1930, 65 American manufacturers completed negotiations for the establishment of branch plants in Canada. Another 15 are seriously contemplating the move. In 1929, at least half of which was a highly prosperous year and thus encouraging to expansion, only 50 American manufacturers established themselves in the Dominion.

In addition to those with definite plans to move across the border last year, 52 other companies appealed to the Canadian Trade Commissions in Chicago and New York for information concerning the formalities of setting up Canadian branch plants.

The majority of the definite projects, and almost all of the inquiries, developed after May of last year, when Canada's tariff was projected as "a strong invitation to foreign companies to manufacture in Canada." Enactment of the tariff on Sept. 17 was enough to precipitate a decision in many cases, and to bring up the problem for serious consideration in as many others.

Of the many pending projects, the most important is the plan of the United States Steel Corp. to build a \$60-million steel mill on its 2000-acre tract at Ojibway, near Windsor. This is significant not only because of the size of U. S. Steel, but because James A. Farrell has definitely asked Canada's ambitious premier, R. B. Bennett, if the present tariff is likely to be made permanent at the spring session of Parliament. Also, probably discussed in not a little detail, was the policy for inter-empire trade to be proposed by Canada at the next Imperial Conference to be held in Ottawa in June. U. S. Steel's carefully considered move no doubt will determine the policy of many other American companies.

Canada's new tariff is drastic, at least as far as the United States is concerned. Under the old tariff, average rates on United States imports were 12%. The Bennett tariff iumped this average to

Because American industrial expan-

sion in Canada heretofore has taken place largely in time of prosperity, it is fair to say the tariff is the primary cause for the present rush of manufacturers across the border.

There are other important reasons for setting up in Canada. Foremost is "Empire preference," reason for the migration of large American automobile manufacturers long ago. And there is a second classification in Canada's tariff relations with 23 other countries which gives to Dominion products a preference, though less favorable than the Empire rates, and which, with lower production costs, should benefit Canadian-manufactured American products. Thorough-going Canadians hold up many other advantages.

Campbell Leads Parade

The directory of firms entering Canada last year includes many well known on the American market. The Campbell Soup Co. has found that Canadians will pay several cents more for its products, but can scarcely afford to pay the difference which the new tariff would demand. It has planned the largest American plant in the 1930 emigré group—has guaranteed employment for 100, will probably employ from 350 to 500.

Others making the move are American Can; the Gilbert & Barker Manufacturing Co. (makers of gasoline pumps and tanks); Esmond (blanket) Mills; Packard Electric Co.; A. B. C. Washing Machine Co.; Taylor Instrument Co.; the Brown Sheet Iron & Steel Co.; Charis Corp. (corset manufacturers); the Wonder Co., to manufacture jam, mincemeat, and similar products; and the Buckeye Incubator Co., subsidiary of the Cleveland Cooperative Stove Co.

American firms which have expanded their manufacturing operations in Canada since the enactment of the tariff include the Timken Roller Bearing Co., the Anaconda American Brass Co., Ltd., Berger Bros. Co., and the Crane Co., Ltd.

Canadian Alliances

Because of the hope that in establishing branch factories in Canada they will anticipate a similar move by competitors, many firms have been very secretive about their plans. Entry into Canada may take the form of an alliance with an already-established Canadian firm such as the affiliation of the American Hoist & Derrick Co. with the Canadian Bridge Co., or the arrangements by the American makers

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of Walk Over and Arch Preserver shoes for manufacture in Canada by Canadian companies. The Lidgerwood Manufacturing Co., has operated through a Canadian company for more than 2 years. Firms such as the Mallinckrodt Chemical Works, which have embarked on manufacturing operations recently, previously maintained distributing houses in Canada.

Whatever the advantages, some American interests see drawbacks to this migration in the tendency of branch plants, like individuals who seek homes abroad, to become naturalized, and use more and more native materials, labor, and management. One American branch plant, recently set up in Canada, started operations using only 15% Canadian materials and labor and was within a year using 60%. Since last August the contract labor clause added to Canada's Immigration Act prohibits the use of foreign labor completely, and restricts the employment of a foreign managerial personnel to a minimum and for a specified time.

The movement of American industry became noticeable between 1880 and 1890 and has persisted to date with two major breaks, one in 1914-1918, and the other from 1925-1927. The first is explained by the concentration of American industry on the expansion of domestic plant capacity for war needs. The second break cannot be explained satisfactorily, although Canada experienced business recession in 1924 and 1925, which may have dampened the ardor of American corporations for new investments there. In view of the present depression, the current increase can be attributed only to Premier Bennett's compelling invitation in the shape of the tariff of last September.

Labor vs. Foreign Branches Dismissed: No Proof

THE establishment of American branch factories abroad has progressed so rapidly in recent years that its further expansion is sometimes viewed with anxiety. Labor has had a bad dream of foreign-branch products supplanting our exports, competing in the domestic market, unless shut out; eventually curtailing home production and increasing unemployment. The Department of Commerce, called on by the Senate to investigate reports interesting findings and conclusions. Findings:

There are at present some 1,100 American manufacturing plants in dif-



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ferent parts of the world, representing an investment of more than \$11 bil. lions. There are also over 100 foreigncontrolled corporations, principally in Europe and Canada, in which some \$200 millions of American capital has been placed. The aggregate of \$13 billions is only about 10% of our total foreign investments and is considerably less than is generally supposed. This figure, of course, does not include investments in mining, petroleum, communication, transportation, and other non-manufacturing enterprises, which bring the total to about \$71 billions.

The Causes

The foreign offshoots of our industry have sprung up under various influences. In the case of agricultural and other heavy machinery, it has largely been the transportation cost. In the automotive industry, import duties have been a weighty factor. Tariffs are sometimes voted to attract foreign capital rather than protect home industryparticularly in the newer industrial nations. The "working" clauses of foreign patent laws which give protection to patent rights only on condition of local manufacturing or licensing, and the need some industries find for providing adequate servicing facilities have also been responsible for branches abroad.

The idea that American producers have largely been lured abroad by the lower wage levels prevailing there is much exaggerated. It is very rare that the American manufacturer in a foreign country is able to sell his product below the American price level. In some notable instances, as in the automobile industry, his foreign price is considerably higher. What gain is made from the lower wage scale is more than offset by the lower efficiency of the foreign workingman, the loss from production on a smaller scale and by duplication of plant and management.

Europe Slower

In contrast to the policy of new countries, the older industrial countries look upon the invasion of foreign industry with disfavor and sometimes pass legislation to forestall it. Development of American branch factories in Europe is likely to move more slowly than elsewhere-than in Canada, for example.

Conclusions: "The striking increase since the war in our exports of manufactured products including those figuring most prominently in the branch factory movement would exclude the assumption that the branch factory has injured our foreign trade, although

that in the absence of the branch facesenting \$11 bil. tories our exports would have been still greater. It will be admitted, however, foreignthat such a hypothesis cannot be made pally in h some the basis of a definite measurement of pital has \$11 bilour total

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there is nothing to negative the claim the effect of the branch factory on our exports."

As to possible competition in our home market, the Department somewhat dryly observes that our tariff policy may be relied on to ward off any danger. ment buying and utilize consumer credit facilities provided by the Bank of England through the United Dominions Trust, which exists to provide financing on easy terms for mechanical aids to production.

Story of Lancashire Strike **Epitomizes Britain's Problems**

EUROPEAN NEWS BUREAU (Cable) -Britain is more worried over Lancashire textile strikes than most politicians are willing to admit.

Despite a Socialist government, the 250,000 weavers locked out get little sympathy from government officials and public sympathy is unreservedly with the employers.

Briefly, the problem is one of rationalization within the industry. The bulk of the Lancashire cotton industry has been working on the 4-loom-perman basis. In the Burnley area, employers have been experimenting with the "more-loom-per-worker" system on a special agreement with the unions. After 2 years of experiments, it was found feasible to ask one operator to tend 8 looms instead of 4. Operators

was concerned but the unions are afraid of the immediate unemployment the change would make. Employers declare it will enable Britain to lower production costs to the point where the country can regain markets lost, particularly to the Japanese.

The position of general business was reflected in the recent meeting of 300 executives of Britain's largest industries.

At this meeting it was agreed that mechanization is Britain's only hope to recover her position in world markets. It was further admitted that the country's industries are behind the standard of the United States. Sir Horace Wilson, industrial adviser to the government, pledged the support of the Board of Trade, and Bruce Gardner urged that industrialists conquer their made no objection as far as the work old-fashioned prejudice against instal-

Loom Wreckers' Heirs

Many factors are behind the present rebellion on the part of the weavers. The Lancashire cotton operatives are shrewd, hard-headed, good-humored, native-witted men and women. They have no great measure of formal education, but they have a strong traditionalism. This is the country of the machine wreckers of the 1820's, and the spirit persists. The mill owners are themselves generally mill hands of the first or second generation; it is common for the master to be called "Bill" or "Jack" by his oldest employees who once worked at the next loom to him.

The government is handicapped in these troubles by its previous commitments to support its own party and yet to promote rationalization of British industry. In both the cotton and mining disputes, the owners hold that their rates and proposed methods are vital to continued survival. In each case, every assurance has been given that every effort will be made to protect workers from effects of displacement.

Labor Takes Root

This brings to light one of Britain's worst troubles-the non-liquidity of labor. A few generations ago men displaced from Lancashire would have trekked elsewhere with their families Today (1) trade union regulations make it difficult for a man to leave one trade and enter another; (2) the unemployment insurance system and the Labor Exchange methods give a man a tendency to stay where he is and to wait for something to be done for him; (3) housing is not sufficiently well advanced after the war and post-war building cessation to assure housing in new areas; (4) if a man and his family took to the road in search of new work and slept rough, they would probably be haled before the magistrates as vagabonds with no visible means of

The community is reaping the adverse yields of its recent paternal legislation. Having, with a humane motive, made it hard for a man to be uprooted from his native town and difficult for him to trek cheaply, the community is now faced with large blocs of population still resident in centers from

which trade has departed.



"LONG DISTANCE!"

Paul W. Litchfield, president of the Goodyear Tire & Rubber Co., talks from Akron, Ohio, to the President of Argentina. He gave the President the signal to press the button which started the wheels turning in the new Goodyear factories near Buenos Aires



SAMPLES?

The motor cars which the Prince of Wales will use on his Argentine tour are loaded at the Albert Docks. The truck is for luggage

We Watch the Prince's Tour, Interested, But Not Dismayed

When the Argentine Show Is Over Our Exporters Expect to Go Right Ahead, as Usual

EDWARD, Prince of Wales, goes rolling down to Buenos Aires to open the British Empire's trade exposition which begins next month. With him is Prince George, his youngest brother. A trade envoy extraordinary and spectacular, the British heir is unencumbered by

Britain's rivals watch with admiration the old lion's desperate drive to regain her once commanding place in Latin America. Results are vital to our own trade, since much of England's loss is reflected in our gains. American rivals admit the British drive has possibilities.

The government is not contributing a shilling to the exposition. The Prince is paying his own traveling expenses. Eight hundred manufacturers in all parts of the Empire contributed \$5 millions for the big show. Half of it will go into the buildings. Exhibits worth \$20 millions will include items from locomotives to nail files. (It will be entertaining to discover whether American tional trade commissioner at Buenos

firms having plants within the Imperial pale contribute to the display.)

Rival interests are making no counter moves that appear on the surface. Good taste and policy dictate that the British be allowed to stage their show without any boos or hisses from the back of the house. Yet widely separated events fall into patterns that cannot be the result of blind coincidence. To wit:

The Italians descend upon Rio with a whole covey of planes that crossed the ocean. There are many Italians, in the Argentine particularly, who own retail stores. Could this have been an astute move on the part of Il Duce to remind his distant countrymen that Mother Italy has wares for sale? Also, Soviet Russia announces the purchase of 1,120 tons of Argentine casein. Also, the U. S. Department of Commerce asks Congress for \$528,700 to promote commerce in Latin America this year, one item calling for an addi-

Aires, where inquiries from American firms have been unusually heavy. Also, Germany talks of a "show boat" which would be loaded with samples for a cruise to the big cities of South America

After inaugurating the B.A. exposition, "the Prince of Sales" will tour Latin America, using his tremendous personal prestige to stimulate interest in British goods. Foundation for this campaign was laid by Sir Malcolm Robertson, former ambassador to Argentina, and Lord D'Abernon, head of a commission which surveyed the field a year and a half ago. Admiring American competitors have called Sir Malcolm the "world's most astute business diplomat." He is credited with the slogan, "Buy from those who buy from you," an effective argument against us because Britain absorbs farm products which the United States tries to keep out.

Exposition Complex

Robertson and D'Abernon pounded their drums until England woke to the crisis. Characteristically, when Britons realized the danger they decided on an exposition. Doubts as to whether this expensive form of selling is worth what it costs seem never to trouble the British.

Time was when England looked on the Argentine almost as a private trade preserve. Domination there was as undisputed as in Canada, South Africa, or India. Long and far has been the fall from that happy state. Since 1913 sales to the Argentine by the United States have risen over 12%, sales by Britain have dropped over 12%. For 1929, values were: United States, 237, 040,630 gold pesos; British, 163,632.-861 gold pesos; German, 107,678,302 gold pesos. (The gold peso equals 96.48 cents, U. S.) United States' percentage of the total was 26.9; British, 18.6; German, 12.2.

Britain's Position

Some factors favor Britain's fight for recovery. There are about 35,000 Eng-They hold lish in the Argentine. strongly intrenched positions in banks. railroads, utilities, commercial houses. Of over 24,000 miles of railroad, about 20,000 are British owned or controlled. Offices and boards of these roads are in England. Purchasing and finance are manipulated from London. Stock control is in many instances locked away in British investment trusts. The might of these interlocking interests has been felt against proposed loans for motor highways-which would affect the railway revenues.

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& Share subsidiary began its march southward, this Lordon financial group became frightened at the number of power and tram companies passing under American domination. The Londoners got together and clinched the grip on the railroads by disfranchising shares that might be acquired by foreigners. Irritation against the American tariff is being counted on to boost British popularity. And they did not discourage attacks that until a few months ago flamed against the United States in the Spanish-American press.

Uncle Sam's Reputation

To believe these reports, Uncle Sam was one bad hombre. "Tio Sam" was pictured in cartoon and editorial as a predatory old pirate with money where his soul should have been, whose dearest ambition was the annexation of Spanish-American territories and the extinction of Latin culture. The campaign subsided somewhat when General Uriburu deposed the senile President Irigoyen, who suffered from a phobia against all foreigners. It subsided still further under direct pressure.

Spokesmen for American exporters view the British drive with small misgivings. Final efficacy of the exposition method and the Prince of Wales as a sales agent are respectfully questioned. While admitting that conditions might have changed since, they point out that American salesmen followed the Prince on a tour of South Africa and wrote orders under the indignant noses of British rivals.

American Advantages

Price, quality, service—these things sell goods the world over. In a great number of commodities we hold our own against rivals on these points. Automobile interests are particularly sure of themselves. They point to the 900 miles of toll roads to be built in the Argentine as proof that the British railways can't prevent highway construction. Against cultural ties that lead from the Latin countries to Europe, the American cites the natural ties of commerce routes, and republican ideals.

Like ours, the nations to the south are young daring, somewhat contemptuous of law. American movies are popular. From them come buying impulses.

The Prince of Wales will draw immense crowds. "But," says an exporter, if Lindbergh were to fly to South America and take Bobby. Jones along with him, people down there probably would forget the Prince ever paid them a visit."

Brevity-to save your time

The clear journalistic style of writing The Business Week is characterized by the art of condensation. Its brevity is achieved by sweat and long experience.

Succinctly, a banker writes: "It is my opinion that The Business Week is a superlative magazine for those who must do their reading on the run and who demand scope, accuracy and authenticity. Its fearless impartiality, stark realism and chatty style give solid food for men who do their own thinking.

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-OVER SITTY-SEVEN TEARS IN BUSINESS-

B.W.

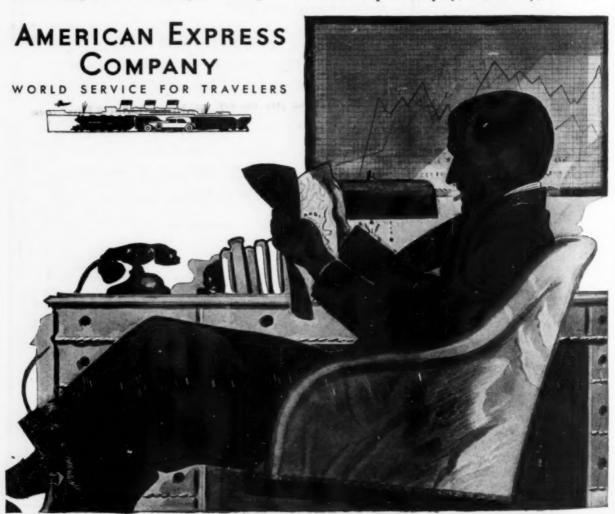
He went at it as a Business Man would

He was ready to start on a two months' tour of Europe. His only task in preparation for the journey had been to think overwhere he wanted to go, roughly jot down his wishes and turn the memorandum over to the trained travel staff of the American Express Company. Then his worries ceased. These travel technicians made all the plans and arrangements for the entire trip.

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Swift Survey of Business Abroad

ment and February has opened with unsettled conditions and business still generally lacking in vitality. Unemployment is approaching the midwinter peaks, in many countries far exceeding all previous records and relatively heavi-

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Public buying and capital expenditures still are being withheld. Trade and industry, without any immediate stimulus and unwilling to anticipate eventual demand, are marking time. Commodity markets are moving unevenly. On the other hand, monetary conditions show some improvement. Bank of England intervened on the open market and arbitrarily forced an advance in rates. Conversely, the recently pronounced stringency in Germany is somewhat relaxed while ease continues in Paris, Amsterdam, and Zurich and monthend settlements everywhere were met without difficulty. For the first week in many months there were no gold movements except the execution of previous purchases. In England, new issues in January totaled \$160 millions, featured by a higher proportion of industrials, were generally well received, while \$80 millions of French capital are due soon to move eastwards if nearly completed negotiations in Poland and Roumania are successfully terminated.

Stocks Firmer

Stock markets generally were resistant, following some recession from last week's highs, while some investment buying, long conspicuously absent, was noted with satisfaction. International political conditions are satisfactory. Locally, the new French government has met with better than expected Parliamentary reception, but considerable political uncertainty prevails in England and Germany. Business in England hopes for a change of government by ousting Labor, but business in Germany is uneasy lest extremist pressure will cause the fall of the able Bruening administration.

Commodity markets seem to be caught in the tide of opposing economic currents. Rapid fluctuations and frequent reversals, both trends which characterized January, are continuing. Recently, however, textiles as a group and includ-

EUROPEAN NEWS BUREAU (Cable) - to silk have shown a noteworthy up- and especially interpretations of the Basic trends are still undiscernible. ward tendency, notwithstanding the most-favored-nation clause which un-January witnessed little if any improve- continued lockout in the Lancashire in- declies the whole question of regional dustry and recent break in wool prices. customs unions and groups of politically Rails likewise improved, with South African and South American orders noted. But non-ferrous metals, after moving uncertainly throughout January, have developed a distinct weakness. est in Germany, England, Austria, and Rubber also is lower. Wheat momentarily is supported by Chinese buying and weather-delayed Argentine shipments, but depreciation of Australian and Argentine exchanges and the prospect of renewed Russian shipments jeopardize sustained price levels.

Dutch Reluctant

Promulgation of the Cuban Decree Sterling firmed up rapidly when the restricting sugar production and exports coincides with the announcement of the sale of 100,000 tons of Russian sugar to the Far East, while the report that the Dutch East Indies government is prepared to introduce export licenses, conflicts with Amsterdam plans. Private information to The Business Week reveals that the Dutch federal government is seeking to shelve the Chadbourne agreement, or at least avoid giving it official support. Since the agreement now is so widely accepted, however, by a large part if not all of the Java industry, it seems improbable that it will break down before given a fair trial, but further adjustments may be necessary to placate the dissident minority pro-

> Both economic and political developments point toward greater inter-European consolidation. Briand has summoned representatives of the European grain exporting and importing countries to meet in Paris during February to examine the possibility of absorption of the local grain surpluses. This marks the beginning of inter-European marketing efforts.

Mortgage Bank Plans

Another committee, including the presidents of the leading German, French, and Italian land banks, the representatives of the Rome Agricultural Institute, and members of the League of Nations financial committee will met in Geneva on Feb. 9 to formulate definite plans for the creation of the proposed inter-European mortgage bank.

The League's economic committee

sovereign but economically federated countries, according to each other reciprocal tariff preferences. Last week negotiations between Austria and Hungary resulted in the signing of a treaty of amity but it is believed that the negotiations embraced also consideration of the possibility of an Austro-Hungarian economic federation adjoining the proposed similar federation with Roumania and Jugoslavia.

This possibility suddenly was greatly enlarged with the announcement that the German Premier Bruening, and Foreign Minister Curtius, shortly will visit both Vienna and Budapest to consider the possibilities of a preferential tariff pact, binding all three countries. From the German viewpoint, this may hardly be considered an end in itself, but surely a step towards a still greater economic alliance with the alternative possibility of adding either Italy or the Balkan group, or conceivably even a combination of both.

Disputes Worry Britain; Politics Bedevil Business

LONDON (By Cable) - The cotton stoppage continues despite the efforts of Premier MacDonald. When the second delegation of weavers left for the North, denying powers to the first delegation to discuss settlement, the outlook became overcast. The second delegation is Communistic and takes the stand against the more-looms system on any terms. There is a growing feeling, however, that the stoppage can, and should, end by acceptance of a compromise on a longer experimental period under government supervision to determine and report the actual effect of the system on costs. Despite the stoppage, the Manchester cotton tone is better, but there is surprise at the failure of demand from big outlets such as India and China.

Markets generally are unchanged. There has been some further trade in pig-iron on the lower price level, and a better demand has developed for Belfast linen. London wool sales have been stimulated by Continental bidding, with some slight improvement in dewill meet Feb. 16 to establish a specific mand for Bradford textiles. Rayon proing the whole range of fibers from jute doctrine in respect to trade restrictions duction in December is estimated at

840,000 pounds below November, with no present increase in turnover. Flax and timber are affected by Russian supplies. Other markets are featureless. Stock markets are in the same mood, with falls on Indian bonds following the release of Gandhi due to the fear of fresh disturbances. Price drops on newspaper shares are regarded as a sombre index of immediate trade

prospects.

The Royal Mail Steamship Co., unable to meet the guarantee on the White Star line, has called a meeting of its own debenture holders and White Star preference holders for Feb. 12 to ask a moratorium to enable the reorganizing committee to complete plans. White Star lawyer says the Royal Mail stockholders are subject to unlimited liability as a company under charter and not to the usual Companies Act, but this is denied by Royal Mail lawyers. A legal fight may follow and a moratorium may not be granted, which would inevitably result in chaos and probable disintegration of Royal Mail. Every effort is being made to avoid this as American control might result. Royal Mail reconstruction would be simple if the slump did not prevent the sales of assets at a fair price.

Politics as Usual

Political uncertainty continues to bedevil business. The government, still avoiding defeat on the Trades Dispute and Electoral Bills, may come down on a vote of censure, but it is expected that the Liberals will keep Labor in till electoral reform is achieved. Ex-Chancellor Churchill has broken with Baldwin on India, believing the Round Table conference went too far beyond recommendations in the Simon report. Because of Churchill's considerable following, this question adds to the uncertainty of business which, clamoring for a stable government by any party, but Tory by choice, now sees all parties further split.

Measures taken to tighten money market rates have proved effective but there is fear of a higher bank rate, although the gold drain seems to be stayed.

Retail trade in December reveals that more goods were sold than in the previous December but at a lower monetary value. There is also indication of increased sales in the last 5 months of 1930 compared with the last 5 of 1929, chiefly in lower priced articles.

At the hearings of the National Wage Board, the railroad companies are defending the proposed wage cuts by a statement that wages connected now beginning to accumulate, though turer in France, has further reduced the



European News Bureau

ROTTERDAM'S NEW STORE

This, the short side, has only 100 feet of show windows; the long side has 300. Among its many features are a roof-garden, with electrically operated glass roof, a restaurant and 4 soda fountains-the first to be made in Holland. The heating plant uses either oil or coal; escalators can carry 4,000 people an hour. With true Dutch cleanliness, electric brushes concealed in the door mats clean the shoes of customers as they walk in. In winter, the mats are heated to loosen snow and mud

with running steam locomotives and electric motors absorbed 5% of total earnings in 1913 but 11.26% last year; measured against the mileage run, wages increased 3 times. Employees, on their side, declare reserves are too large and that fixed interest to stockholders should stand a sacrifice in view of the decreased cost of living.

Visible stocks of rubber have touched a new high at 124,500 tons, causing a fresh bear movement. Non-ferrous

metals have all declined.

Signs of French Depression Spread; Deficits Increase

PARIS (By Cable)—Business recession continues. Although the depression cycle is still young, its development is measured from week to week by steadily shrinking car loadings, a rapid increase in unemployment, reduction of working time and wage scales.

Idle shifts this week were introduced in the coal industry where stocks are

during 1930 the industry was able to operate at full capacity, and with production (excluding the Saar) at 55 million tons, which duplicated the 1929 and the postwar record, and was 25% above 1923. The year's metallurgical production showed slight declines. Pig iron production at 10,098,000 tons compared with 10,453,000 in 1929; steel at 9,425,000 tons, compared with 9,655,000. These declines, however, fell wholly in the last 5 months and the extent is partly obscured by exceptionally high outputs earlier in the year.

The porcelain industry is reported to be operating on a 4-day or 5-day week notwithstanding a 50% reduction in personnel, and a 10% cut in salaries. The textile industries are unevenly affected, cotton and silk being more severely depressed than wool which is still well occupied. Industry contemplates demanding replacement of the sales tax, which is collected on each operation, by a single import tax on raw materials.

Michelin, largest rubber manufac-

number of employees, notwithstanding the fact that rubber is among the few industries up to now well occupied.

The new government has taken office. The recently formed Laval cabinet received a greater than expected majority in its first contact with Parliament and is expected to survive at least until the Easter recess. Its program is confined merely to enactment of legislation already tabled, while it takes no cognizance whatsoever of existing price and budget inflation which is pending. The 1932 \$2-billion budget, if passed as now drawn, will further accentuate inflation. No indication is yet given whether the government will seek to realize its former proposal further to increase the wheat tariff on behalf of farmers and offset increased living costs by the issue of bread cards to labor. The appointment of Tardieu as Minister of Agriculture, and the general political situation, however, renders enactment of some form of agricultural relief highly probable.

The government has appointed an expert to investigate the \$70-million railway deficit, and recommends an increase of 10% on freight and 24% on passenger rates without reduction of the transportation tax, now 10% on freight and 32% on passenger rates, and yielding \$80 millions annually. The railways plan \$200 millions in bond issues during the year, part to cover the deficit and the balance to be spent on equip-

ment purchases.

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Reich Business Stabilizes; Oil Boom Develops

BERLIN (By Cable) - After two months of relative political quiet, the Bruening cabinet faced the reassembled Reichstag Feb. 3 with enhanced prestige and authority due to its successful handling of the Polish troubles through Geneva, adroit settlement of the Ruhr wage conflict, and several victories scored on the price reduction front. The main problem is whether or not Parliamentary ac ceptance of the budget bill is possible. The government believes promulgation of the budget a second time by presidential emergency decree may prove detrimental to German credit abroad. Yet, if the Reichstag fails to pass the budget before the end of March, the government will not hesitate again to take advantage of the recourse offered by the constitution, since the maintenance of public finance in due order now prevails above all other considerations.

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"It is my opinion that The Business Week is a superlative magazine for those who must do their reading on the run and who demand scope, accuracy and authenticity. Its fearless impartiality, stark realism and chatty style give solid food for men who do their own thinking.

"A magazine of this kind, covering so completely yet concisely the many subjects bearing on the business situation, enables readers to keep thoroughly posted in the minimum of time, and seems almost indispensable."

"Except for exhaustive statistical information, which it does not pretend to supply, your publication easily replaces the considerable number of reviews that one was formerly dependent on."

"The phrasing of your articles, while of easy, almost conversa-tional style. never borrows the atrocities of those who consider literary abortions as excusable or even necessary to give em-phasis or simplicity to common writing."

"Your reports are accurate and the 'news items' brief enough to hold the attention of the busiest of men."

"The idea of the 'Business Barometer' on the cover is a knock-out, and I expect that this is one of the magnets which is attracting the attention of so many business executives."

THE BUSINESS WEEK

BLUNDER earns CUSTOMER ill will

To save time, the accounting department of a foremost public utility was increased to three eight-hour shifts. Scores of operators daily had to work on nearly all pages of the numerous loose-leaf books.

For two months, work was speeded. Then the new system cracked. The loose-leaf sheets, when re-assembled, were found to be badly battered. Some had disappeared entirely, other entries, written over fuzzy erasures, had become indistinct, misleading, valueless. Constant rechecking and rewriting were necessary. The result wasn't the sought-for speed, but delay, expense, incorrect bills, illwill.

A check-up revealed the cause. Because the records were not needed permanently, an official had reasoned that permanent paper would be extravagant. He hadn't realized that modern use frequently crowds a year's wear into a single month, that the properties which equip paper to defy time are the very ones which give greatest resistance to use.



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PAPERS

radical wings, Dr. Bruening is embarrassed by demands from his own followers. The Socialists, whose vote in the cabinet is necessary for passage of the budget, demand substitution of a flat rate instead of reduction of officials' salaries by graduated scale. Dr. Dietrich opposes the plan, estimates it will result in a loss of revenue of \$10 millions. The People's party, members of the Bruening coalition government, demand further curtailment of expenditure by \$70 millions. Dr. Dietrich declares this is impracticable, that drastic cuts aggregating \$310 millions already have been effected and represent the limit.

Business sentiment is more quiet, the apparent trend being toward stabilization at low levels. The better tone on the Stock Exchange has been maintained and Wednesday prices advanced strongly on reports of improved domestic political prospects.

The outflow of gold and foreign bills is easing, and dividends from two of the big electrical concerns are relatively satisfactory after the disappointing Krupp report. All these factors contribute in part to the improved sentiment which has been further supported by the optimistic monthly report of the DD Bank (Deutsche Bank und Disconto Gesellschaft). The sharp increase in commercial failures in January was largely seasonal, and the still unsatisfactory production figures reported by various industries were unable to offset positive factors.

Electrical Dividends

The week's interest centered in the declaration of electric company dividends. The AEG rate dropped from 9% to 7%, which was less than apprehended, though it was possible to declare as much as a 7% dividend only by reducing the usual amount written off. The Siemens Schuckert Co., manufacturing heavy electric equipment, reduced dividends from 10% to 7.5%, while the Siemens Halske Co., specializing in light equipment, maintained last year's 14% dividend. The difference is due not only to better employment in the latter branch of the electric industry, but also to considerations of financial policy and the desire to support price and profit-sharing bonds issued last year in the U. S.

Interest in electric shares was further stimulated by the announcement of agreement between the leading electric concerns and the Federal Railway Co. regarding electrification of the line from Augsburg to Stuttgart. The value of these orders will reach \$12 millions, and the project will employ 10,000 men for 18 months. The orders are financed by a credit arranged by the electrical concerns, with the Reich agreeing to pay interest for the first years until the railway company is able to repay the credit out of increased earnings. The scheme will bring the percentage of electrified lines in Germany to 3% of the total.

The Oil Boom

The public is stirred by the sensational news that the young Hanover oil industry is developing a regular boom. The biggest German potash concern, the Wintershall Co., with a 40% quota in the potash cartel, has decided to enter the oil industry through purchases with the Elwerath Co., prominent and successful in drilling last year. They have also purchased other mining rights. The purchase of the North European Oil Corp., where American capital already is interested, by Sydney Keoughan, Denver oil man, and by the Hope Engineering Co. of Ohio, also is announced. The venture of the Wintershall Co. is particularly interesting since this concern is unlikely to enter any new field unless there is serious evidence of possibilities for successful development.

The milling quota of domestic wheat, heretofore fixed at one or at a maximum of two months ahead, has been fixed till Aug. 1. Instead of maintaining the January quota of 80%, it will be 75% in February and March, 65% in April and May, 50% in June and July. The lowering of the quota is due to anticipated exhaustion of domestic stocks before the new crop, all of which implies the possibility of larger imports of foreign wheat during coming months. The "Green Front," central farmers association, is preparing a new assault on the government for higher tariff rates on meat, dairy, and poultry products.

Rumors of New Coffee Scheme Come from Brazil

CONDITIONS in Latin America are not improving radically, though certain developments are potentially important.

Rumors from Brazii that the government plans to take over the country's entire coffee stocks by July 1 (apparently including the 16 million bags supposedly held as security on the coffee valorization loan) can not be accepted too readily, for no plans for securing the 60% cash payment promised to owners is advanced. Further, the rumor declares the government will tax every

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new coffee tree planted, in an effort to reduce the country's production, and will allow coffee duties to be paid in kind, the coffee thus secured to be destroyed.

Americans see in the plan a trend of thinking in the right direction, though inevitably the present proposal demands financing not likely to be available this

Argentina is encouraged by the volume of exports, which is holding well above last year. Crops are in excellent condition. The government is still banning immigrants and has financed the return to their native country of 2,000 who have been unable to find work in Argentina.

Beef for Italy

There are encouraging factors. To offset in a small way the German and American bans on Argentine beef imports, Italy is negotiating with the Argentine government for the acquisition of 15,000 tons of frozen beef. It is probable that Italy is bartering for reciprocal trade arrangements with Argentina. At home, the Buenos Aires government has entered the retail business, forced down the price of foods, is expected to reduce rents accordingly.

Mexico has requested and received a 2-year moratorium on debt payments, due to the depreciated value of silver. Wall Street is inclined to look favorably on the plan which will allow the country to benefit exchange by the move and segregate funds for payment after 2 years when silver values are likely to have been stabilized.

Growing financial difficulties in Peru have led the government to seek a moratorium on outstanding debts until the country's revenues can be reorganized.

Japanese Business Reflects Improved Foreign Trade

BUSINESS is showing a distinctly better trend, reflected on the Stock Exchange by gains on most stocks. Of the principal commodities, prices on cotton, yarns, and rice were up. Raw silk showed a decline.

Foreign trade for the last 10 days of January showed an unfavorable balance of only \$500,000, due to good exports even in a normal importing season. For January, the excess of exports in the country's foreign trade totaled \$31 millions, compared with an unfavorable balance last year of nearly \$182 millions.

WHEN CAREFUL SELECTION IS VITAL TO SATISFACTION



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CENTRALS DIVIDEND SINCE 1921 HAS BEEN 30%

What the Figures Show

THE continued deflation of commodity prices evident in the various composite indexes, and particularly in metals, is the chief point of interest in the business situation of the week. While steel, pig-iron and car loadings show a slow upward trend, the uncertainty which the lack of price stability presents is likely to check even the present meager volume of orders. The Business Week weekly index of general business activity shows a slight further recession compared with earlier weeks in January, and at the close of the month touched 76.8%

compared with 78.7% and 80% in the

Steel Industry

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The upward trend in the operating rate of steel ingot plants, though characteristic of the first months of the year, is so gradual that it is apparent that operators are not expanding more than immediate demands require. According to the trade journals, this demand has lost momentum, though total specifications show slight expansion. January ingot tonnage report of the American Iron & Steel Institute which will be available at the end of the week will undoubtedly show some improvement in the operating rate of the industry compared with the low rate of 38.6% in December, with its total of slightly over 2 million tons. Assuming a rate of 45% for January, 1931, the tonnage can be conservatively estimated at over 2.4 million tons which would be greater than that of the two preceding months, but in line with the usual relationship of these months.

The closing week of December, Dow, Jones & Co. estimates a 51% of capacity rate for the U. S. Steel Corp. and 44% for independents, with the industry as a whole averaging 47%. When the latter estimate is adjusted for seasonal changes and annual growth, the industry is operating at 58% of normal against 56% the preceding week. Activity in rails is said to be largely responsible for the increase. Track accessories, line pipe and tin plate also contribute to the present limited demand. Automotive requirements appear but meager prospects to the conservative steel leaders, though the motor industry is more optimistic on February operating schedules. Structural steel pears to be only 37,000 tons against railroad operating income estimated at

THE BUSINESS WEEK INDEX	Latest Week	Preceding Week	Yea
OF GENERAL ACTIVITY	*76.8	178.7	94.1
Production			
Steel Mill Operation (% capacity)	47	46	70
Building Contracts (F. W. Dodge, daily aver-			
age in thousands, 4 weeks basis)	\$8,744	\$9,270	\$12,219
Bituminous Coal (daily average, 1,000 tons).	*1,477	1,533	1,951
Petroleum (daily average, 1,000 bbls.)	2,086	2,111	2,595
Total Electric Power (millions K. W. H.)	1,687	1,719	1,800
Trade			
Car Loadings (daily average, all classes, 1,000	110	***	
cars)	119	121	144
Check Payments (outside N. Y. City, millions) Money in Circulation (daily average,	\$4,162	\$4,560	\$5,004
millions)	\$4,581	\$4,621	\$4,550
Wheat Receipts (1,000 bushels)	6,810	6,506	3,216
Cotton Receipts (1,000 bales)	138	128	164
Cattle Receipts (1,000 head)	*140	†156	158
Hog Receipts (1,000 head)	*718	†764	805
Wool Receipts (1,000 lbs.)	4,300	2,605	6,154
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.).	\$0.69	\$0.69	\$1.14
Cotton (middling, New York, lb.)	\$0.104	\$0.104	\$0.167
Iron and Steel (composite, ton)	\$31.69	\$31.73	\$35.24
Copper (electrolytic, lb.) f. o. b. refinery	\$0.094	\$0.098	\$0.178
All Commodities (Fisher's Index, 1926-100)	77.2	77.6	93.3
Finance			
Total Loans and Discounts, Federal Reserve			
reporting member banks (millions)	\$15,753	\$15,839	\$16,676
Commercial Loans, Federal Reserve report-			
ing member banks (millions)	\$8,374	\$8,414	\$8,995
Brokers' Loans, New York Federal Reserve member banks (millions)	\$1,716	\$1,734	\$3,402
Federal Reserve System Ratio	82.9	82.7	78.0
Stocks Sold (N. Y. Stock Exchange, 1,000	04.3	04.1	10.0
shares, N. Y. Times)	9,457	9,707	18,927
Stock Prices (N. Y. Times, average 50 stocks)	\$150.48	\$151.60	\$216.31
Sonds Sold (N. Y. Stock Exchange, par value,			
thousands)	\$58,214	\$54,788	\$49,383
Sond Prices (Dow, Jones, average 40 bonds).	\$96.23	\$96.61	\$93.75
nterest Rates - Call Loans (daily average)	1.5%	1.5%	4.4%
nterest Rates—Time Loans (daily average).	11-2%	11-2%	41-41%
Business Failures (Dun, number)	660	712	545

58,000 and 48,000 in the two preceding

The recent report on new equipment installed by the railroads in 1930 shows a decline of 7,985 freight cars compared with 1929, but an increase of 18,514 over 1928 and 1,523 over 1927. More locomotives were installed in 1930 than in 1929, but only half as many as in 1928 and 1927. New freight cars on order Jan. 1, 1931, totaled 9,821 against 34,581 a year ago, and 13,036 two years orders were considerably above the ago, while locomotives ordered totaled small tonnage of last week, totalling 120 against 431 in 1930 and 147 in 35,000 tons, but prospective tonnage ap- 1929. With continued shrinkage in

30% in December, 1930, compared with the preceding year, it is small wonder that specifications for steel have lagged.

Pig Iron Shows Gain

The January report on pig iron is encouraging in showing the first gain since April, 1930, and the first gain in the number of blast furnaces operating since March, 1930. The output is still the lowest since January, 1922. Moreover, the expansion which took place in steel making iron is partially offset by a further decline in merchant pig

The index of building activity in the 37 states east of the Rockies, which is based on the F. W. Dodge reports of the last four weeks, indicates the trend of the month's volume. Our adjusted index has dropped to 62% of normal against 66% the preceding week. The actual monthly totals to be released shortly will probably reveal nearly a 10% decline from December levels and a 30% decline from January, 1930. Residential and non-residential will undoubtedly report further shrinkage, leaving public works and utilities the chief support of the construction industry.

Coal production is apparently being kept in close line with consumptive demand. However, it is to be expected that the general trend will be downward in the spring months. At present, the level of production of bituminous coal falls below the corresponding period of 1922. Our adjusted index declined from 69% of normal to 67%. Anthracite production has also declined steadily since the first of January.

Electric Power Production

Our adjusted index of electric power production declined to 89% of normal compared with 91% the two preceding weeks. The decline in consumption in industrial regions appears sharpest in The report for the central states. December, 1930, just released by the U. S. Geological Survey, shows a 5% shrinkage in electric power generated compared with December, 1929, though this shows some improvement when contrasted with the two preceding months which fell from 6% to 7% behind the corresponding months of 1929. Production for the year, however, was 1.8% under 1929, but omitting this exceptionally active year, 1930 compares favorably with every year since tion peak of December, 1925, and a

1919, being 9% greater than 1928 and over twice as great as the post-war boom year of 1920.

The slight decline in commodity car loadings was due principally to curtailed coal shipments paralleling the decreased production of this item. Grain and livestock shipments were also smaller than for the preceding week of Jan. 17, but all other groups showed increases. The two groups indicative of general trade-miscellaneous and merchandise less-than-carlot-showed almost the normal seasonal increase. Our adjusted index based on the two latter groups declined but fractionally, standing at 74% of normal compared with 75% the preceding week.

Check Payments

Check payments usually reach a low level at the close of January. The greatest declines occurred in the smaller communities outside of financial centers, where a 13% drop is reported for the week of Jan. 28, compared with less than 9% in the 140 cities exclusive of New York City. This city, in fact, showed a slight increase. Our adjusted index based on the 140 centers and averaged with the preceding week declined from 84% of normal to 81%.

Currency circulation continues to flow in due order to the banks, though the daily average still runs above 1930. Our adjusted index for the close of January is unchanged at 107% of normal.

The trend of the composite price indexes is steadily downward, though from day to day moderate recoveries appear in the cotton and grain markets. Bradstreet's Feb. 1 average of commodities shows a 19% decline from a year ago, a 35% decline since the post-defla-

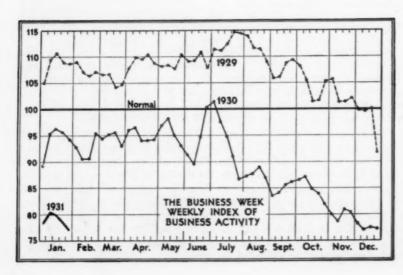


The weekly index of general business activity, first of its kind, is compiled by The Business Week from 8 series of weekly figures -steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, com mercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and yearto-year growth had occurred. For further explanation see The Business Week, May 7, 1930, p. 39.

55% drop since February, 1920. The bulk of commodities priced, however, remained unchanged from the preceding month, the downward bias being due to more decreases than increases in the few commodities that did change. The steel composite price has wavered after three weeks of stability, while the weakness in scrap indicates a slowing up of ingot expansion. Electrolytic copper sold at 91¢ and then 91¢ by the middle of this week, as a result of pressure by second hands. Tonnage was not stimulated, however, by a return to the low of last fall. Silver declined to a new all-time low, while lead, zinc, platinum felt the general weakness. Wheat sentiment is largely bearish. Any bulge, as that of last week, is a signal for selling. Cotton prices closed higher in the middle of the week than the average of the week of Jan. 31.

Bank credit showed but a small decline, the contraction of security and commercial loans being almost offset by the increase of \$79 millions in investments of reporting member banks in 102 large cities in government and other securities. The decline in commercial loans was not enough to offset the decline in prices, nor greater than the usual seasonal decline, so that our index remains at 114% of normal.

January failures were higher than customary, even for the first month of the year which is ordinarily the peak month. With a total of 3,316 and liabilities of \$94.6 millions, the insolvency record for number is broken for any month, while the record for value is broken for any January.



Money and the Market

continue to exert their influences, outstandingly significant developments were lacking in financial operations of the week. All securities markets are pursuing a show-me policy-and developments show nothing decisive.

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The bond market closed the week in a better spirit than at the opening, but with prices about the same. Having dropped to first-of-the-year levels, the market found some confidence this will observe some degree of what it calls "sanity" on the bonus proposal, and took heart-but only a little.

New Offerings Declined

The large decline in the volume of new offerings also helped, as a demand for investment issues continued. Total new offerings this week were just short of \$50 millions, compared with about \$175 millions last week. Utilities took most of the funds raised this week and municipals got about \$8 millions. There were no other offerings.

Decline in offerings was significant, as was the smaller volume of transactions. The bond market is scared of the bonus proposal and now realizes other such proposals are also being seriously made in Washington, as noted in other pages of this week's issue. Until there is confidence that these proposals will not pass, or will be is in prospect. The considerable demand for investment securities will exert an upward pressure, but this is ferred stocks. likely to be timid.

THOUGH numerous divergent factors other than governments for the first time within weeks, both because of their fear of a price decline in the federal issues and because better yields are to be had elsewhere. Yields are good in bonds, high-grade issues averaging about 41%. Good new issues must pay around 5% and above, attesting the high cost of long term money.

Stocks Remain Quiet

Stocks did virtually nothing in the week for believing that Washington way of movement this week, but gave a sign taken by many market observers as unfavorable. As shown by the chart on this page, prices failed to break through the highest levels reached in late January. This, to chart readers, indicates that the market sees no change from that time, is unwilling to push prices higher until something definitely favorable appears, and sees no favorable developments in the offing.

Stock transactions likewise were small this week. The only very large movements were in those individual issues of which a small enough number of shares is outstanding to permit specuments in accord with dividend actions or earnings statements. The Standard Oils of Kansas, Nebraska, and Indiana led dividend reducers of the week, and the Rock Island and Frisco railroads postponed action until a better indication of 1931 could be had. Better considerably modified, a hesitant market common stocks now are yielding about same as the average for leading pre-

The stock market has been undis-Banks are beginning to buy issues turbed by the bonus-cashing proposals, gold for the first time since Nov. 7.

to the surprise of many observers. Should a considerable amount of funds be distributed by the government, the increase of business in some industrial fields would almost surely be translated into better stock prices. But though bond prices express fear, stock prices merely reflect doubt.

Money markets showed little change, except for a 1% cut in acceptances, bringing them back to the point from which last week's rise occurred-11@11%. The month-end brought no flurry in rates, showing the relaxation of the markets.

Credit movements in the week were toward status quo, with indications that the return flow of money from circulation was about complete, there being a rise of \$32 millions. This is the first rise of the year. The fact that the total remains above last year may mean that some funds still are in hiding.

Foreign Markets

Gold imports continued, Argentina sending more than \$10 millions, with the country's monetary gold stock rising by that amount. Federal Reserve credit was contracted by \$7 millions, and there was a slight increase in member bank lative manipulation, plus some readjust- borrowing in New York, but a further decline outside. The liquidation of security loans continues, brokers' loans dropping \$18 millions further, and bank loans on securities direct to customers receding further in the largest liquidation since a year ago.

Most important development abroad has been the action of the Bank of Eng-51%, highest since 1925, and about the land in regaining control of the London money market. By forcing a rise in open market rates, it has stopped the outward gold movement, and has gained



Insull Utility Investments, Inc.

Corporation Securities Co. of Chicago

HE investments of Insull Utility Investments, Inc., and Corporation Securities Co. of Chicago, are almost exclusively in public utility companies in whose direction they have direct, intimate and authoritative participation.

This relationship is doubly advantageous. The very existence of Insull Utility Investments, Inc., and Corporation Securities Co. of Chicago, by the extent of their investments and through personalities, gives strength to the operating and financing companies whose securities are held, by assuring continuity of well-learned and well-tested practices and policies, and competent and experienced management in such companies; also, the interests of Insull Utility Investments, Inc., and Corporation Securities Co. of Chicago, are represented and safeguarded through their participation in the direction of the companies whose securities they hold.

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Insull Utility Investments, Inc.

Corporation Securities Co. of Chicago

72 West Adams St., Chicago, Ill.

The Dublin Letters

From James W. Dublin to Derby Thomas Regarding a Holiday Donation

New York December, 1928

Dear Derb:

If you will saunter into the Eastview Garage on East 74th St., and ask for Mr. Thomas' car, one of the motor jockeys there will shoot up into the attic and come back down the elevator leading a champing coupé.

It is a jazzy job-brownish gray. Or maybe it's beige. I don't know. Anyhow it has ketchup-colored wheels and altogether wears the joyous air of successful youth. It is all yours. From Uncle Jim wishing you a merry Christmas and many, many happy New Years.

In my young days when you went to the store to negotiate a suit of clothes it was the policy of the kindly proprietor to wrap up a pair of suspenders with the purchase. These galluses were on the house, the idea being that anyone who would fork over for coat, vest, and pants had gone far enough and should not be let in for any further expense for upkeep.

Remembering this I have arranged to throw in free with the coupé all the garaging charges for one year, because I do not think it would be fair for the new bus to eat into your pin money for the first 12 months. After that you will have to support it yourself on the assumption that in another year you will be ripe for more pay or will probably chisel it out of the Dublin Company anyway.

Then I have a little something for the toe of your sock which I regret I cannot deliver until around February probably. Mr. Farren is doing some diplomatic work to ease you into the Whitebrook Country Club. As he is one of the governors and familiar with the ways and means of crawling over and under precedents, rules and by-laws I think your ticket will come through. I am sure you will not complain about being taken into Whitebrook. The only complaints I ever heard were from people who couldn't get aboard.

My first idea was to propose you for my own club, but on reflection I thought I could give you a card for my course any time and it would be much better for me if you were at Whitebrook. Then I could come over and play the Whitebrook course and we'd get a little more

Office of James W. Dublin variety. You are supposed to invite me, you know. And don't forget it.

This is all on the subject of Christmas

Now about yourself. Two years ago when you joined the Dublin troupe you were a cipher covered with the down of doubt. You were an incubational whimsy sneaked into the oven by an old fool uncle to see what would happen. There was a question of whether you had enough baking powder in you to rise and take on the semblance of something recognizable or whether you would collapse and burn on at the bottom. Nobody cared much one way or the other. Except, perhaps, this here relative of yours. Man's inhumanity to man, my dear Derb, does not consist so much in overt hostility as in the thick, murky, impenetrable indifference to individual fate.

But you did-and here I heave a great heave of thankfulness-you did flail around and display to our little indifferent circle a set of actions which showed your skin was stuffed with live material even though it still lacks precise and permanent pattern. At least you have outlined and accented yourself enough for your confrères to admit

that you are a person.

Perhaps you feel it is no compliment to be called a person. If that is your slant let me say that there are millions of us who with all our hope, work, and struggle barely ring up any notice at all except when they take the census. I can look back and see what a perilous stunt it is to hist oneself out of the anonymous which is our original birthright as one little grain of life in a mass humanity. The gravitational pull of this mass against the individual is terrific and the man who can kick, bite, and shake it off is no cup of cambric tea no matter what else you may call

So when I say you are a person I promote you. You now have an edge. It is a thin edge, but it is out in the clear. People can now stand off and take a look at you instead of wondering why the young bum is around filling up space and getting under foot.

Having attained the status of a person, you are now eligible to draw cards for the Grand Prize. That is, you are now permitted to have a swipe at becoming A Personage. No one who does not first qualify as a person is allowed to run for the Personage Stakes. Now go on out and run.

As assistant to the president of the Dublin Agency you are sitting in a pretty spot—if you don't sit. Your intimate association with Ben Frost is going to be a happy, stimulating, and fruitful experience. Ben has at last reached the place where he can spread. He's a natural spreader. Spread along with him.

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But do not neglect to work closely with George Clark also. Some of your duties will tie you in with him and I would like you to absorb some of the Clark stuff. Ben's preoccupation will be all along the lines of lush growth, and his groove will be the most fun and the most fascinating side of the institution. But George Clark, on the other hand, is all wrapped up in the idea that we ought to show a profit. He has been with us for 15 years and has never sent the boy out for a bottle of red ink yet. The first 2 years that George was with the Agency our net was so small we didn't even bother to lock it up in the safe, but from then on we have done nicely.

I am anxious for you to learn to respect a profit. Everybody likes it, but in an advertising agency nobody seems to care how or where it comes from. Most of us are all hepped up with the idea of giving the customer one dollar and ten cents worth for a buck. We forget that while this rate of exchange brings a smile of appreciation from the client it is a pain in the neck to the man who sees the fiscal year running down the sewer. So it is essential to have a Zbyszko sitting on the till to give the boys the muscle when they get too liberal.

Furthermore, the big business birds who are the customers have a peculiar attitude towards net. They will often secrete the suspicion that the agency crew is not passing full weight across the counter, but at the same time they do not have a long-term faith in an aggregation that shows visible signs of being ex-surplus. It is true they are always looking for an angel—but they want one that can keep books. They feel safer.

I am very proud of you, Derb. I envy you your great days ahead. Bereft of these passionate encounters myself, the spank of trials and fears and the savor of the grasped triumphs that feed the days, I shall live them through you. I am not ashamed to say I am grateful for the circumstance which permits this vicarious participation. Let stout think-

ing and abundant labor prevail. And remember I'm in on it with all my heart, no matter where the wandering carcass may be. Good luck and multiplied happiness.

Sincerely, J.W.D.
P. S.—Your note for \$2,000 is enclosed marked "Paid." It's a dead haddock—and we don't want it hanging on the Dublin Xmas tree.

To Ben Frost, Saying Good-by

New York January, 1929

Dear Ben:

Among my Christmas gifts was a pair of cerise suspenders fit to hold up a king's pants. These regal galluses pleased me more than anything else in my Yule drag-down—until your little note came along. It was a generous impulse for you to offer me my old office "in perpetuity or as long as I like" as you put it.

Aithough I cannot accept what you have so kindly put at my disposal let me give you my deepest thanks,

To-morrow or next day Miss Gray will rid my desk of any miscellany of papers, tobacco crumbs, ante-bellum golf scores, pipe cleaners, matches, and pencil stubs. Then you can move right in. Etchings and photographs of my old-time well-wishers will, of course, be removed from the wall and you can retrim as desired.

May you have as much good luck and happiness as I have had heading our great little troupe of men. My faith in you and the works you shall perform is a solid one—unfreckled by any doubts.

Hence a gasp of surprise from you when I say I am not going to offer any advice. Sincerely,

JAMES W. DUBLIN

Editorial Note

Thus end "The Dublin Letters"—in which a shrewd, mellow, and humorous observer has offered his salty commentary on men, on life, on American business.

Our readers have liked them—even the reader who, with a shamefaced grin, confessed he skipped the first dozen, thinking they were reports on Irish business conditions. We are grateful for hundreds of expressions of appreciation.

We have Jim Dublin's promise that we may ransack his letter files at intervals hereafter, and if we find anything we like, we may have it.

Waste to-day is business suicide

ASTE to-day means certain failure, probably the coatliest thing in the world. Never before has waste-elimination been more important than it is to-day.

For much of the progress toward high efficiency in production, industry is indebted to the chemists and engineers who create, develop, design and produce modern processes, the materials of construction, machinery, apparatus, instruments of precision and control, chemicals and chemical products.

Without a knowledge of these products and their uses, no business man can do full justice to himself, to his

employer or to his profession.

Bring from your organization all who have responsibility for operations that they may directly compare and study the wide range of exhibits on display.

Thirteenth Exposition

CHEMICAL INDUSTRIES

May 4 to 9, Grand Central Palace, New York Management, International Exposition Company

\$ 5278

Russia's Challenge to American Business • THE

ECONOMIC LIFE

SOVIET RUSSIA

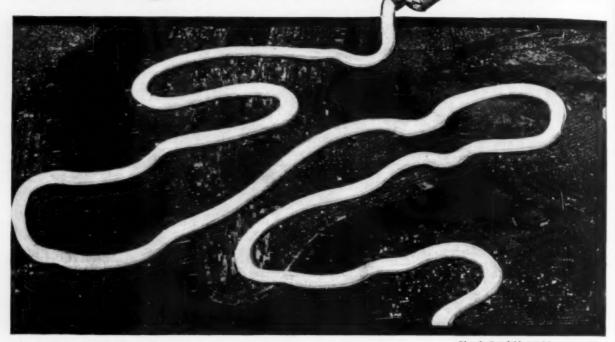
BY CALVIN B. HOOVER

The significance to the capitalistic world of the development in the Soviet Union cannot be exaggerated. Whatever your station in life, you are being directly affected every day by what the communist regime in Russia is doing. What is it doing? Inform yourself through this illuminating new book. There is no other current picture of Russian economic activities so complete, or so stimulating to thought.

MACMILLAN

\$3.00

Amos'n' Andy sell it ...
but BUSH distributes it
throughout Greater



ISTRIBUTION of merchandise is a vital part of the selling job. The Pepsodent Company knows it. Bush Terminal Company knows it. The result is that Bush Terminal distributes Pepsodent throughout the New York metropolitan market, leaving the Pepsodent Company free to concentrate on making it and selling it.

No sale is completed until the goods are delivered. It works this way: In the spacious warehouses of Bush Terminal is a large stock of Pepsodent. An order from a druggist appears. The quantity may be a gross or it may be a third of a dozen. All the same to Bush Terminal. The smoothly geared wheels of Bush Distribution Service turn and within a few hours the order is filled—with no trouble to anyone in the Pepsodent organization.

This service is strictly à la carte. Pepsodent pays only for the services required by Pepsodent. This has made it possible for major economies to be effected. It permits quicker deliveries—which is only another way of saying sales acceleration.

Bush will save him 35%

Before one manufacturer learned about Bush for distribution his annual costs were \$22,565. Yearly cost at Bush only \$14,595. Saving \$7,970, that is 35%. Light and power cut from \$1,000 to \$3,900. Insurance premium from \$1,365 to \$150. Trucking costs \$6,000 and elevator expense \$1,200 entirely eliminated. And on a single floor at Bush he won't need an extra shipping man to whom he has been paying \$2,000 a year.

At Bush Terminal a broad, flexible, varied service provides production economies and distribution efficiency. Photo by Rairchild Aerial Surreys Inc., N.Y.C. Eight enormous ocean steamship piers; miles of railway sidings; massive warehouses; 10,000,000 square feet of floor space; cold storage; steam, power and heat in any quantity. Highest standards in receiving, storing and delivering goods and equally unrivaled facilities for manufacturing or distributing on an "industrial apartment house" basis.

New York

Specific service for exact needs

The services rendered by Bush Terminal are so broad and so varied that we can fit them exactly to your needs after a discussion of your individual sales, manufacturing and distribution problems. Bush Terminal has a specific, specialized or all-inclusive service for any manufacturer who sells to greater New York. Ask us for fuller details. Descriptive literature on production and distribution will be mailed you on request. Specific questions will be answered in full by Bush expert service men, thoroughly equipped by long experience to help you discover just how Bush can help your business.

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Metropolitan Facilities for DISTRIBUTION, WAREHOUSING and MANUFACTURING

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

February 11, 1931

The Deflationists' Dilemma

THE barrage of terrifying tear-gas bombs which the doughboys and Secretary Mellon's brigade of banking big-guns are laying down against each other in the battle of the bonus should not blind business men to the real point at issue. Both sides seem to us lacking in complete candor, and we have little sympathy with either. Most of what has been said about the safety of banks, the interests of bondholders, or the welfare and rights of veterans is humbug.

The question is not whether these payments for patriotism are justifiable or not; they have to be made sooner or later, out of taxes; that is part of the piper's fee for the war-dance. The question is not even whether or not it is better for the veterans to get the money now and sacrifice protection for themselves and their dependents later. We may be sure such protection will be forthcoming anyway whenever it is demanded. Pensions, too, are a part of the piper's fee.

Nor is it a question of bank safety. To hear responsible financial authorities and public officials broadcasting prophecies of bank failures and attacks on the public credit—for an ordinary citizen a criminal offense—is an astonishing and disquieting spectacle. Banks have been known to fail because of ctookedness or mismanagement by officials; never because they bought or lent money on U. S. bonds—the best security in the world. Epidemics of bank failures are started by deflation, never by inflation.

The interests of present bondholders need

not be injured unless they allow themselves to be stampeded like sheep by the wolf-cries of the Secretary into selling their holdings. Bond prices are certain to rise over the next few years. There is no good reason why they should be more than transiently depressed by cashing the bonus certificates. These are really part of the public debt, bearing a high rate of interest and maturing in 1945. Cashing them is merely a refunding process; it could be handled like any other refunding, by issuing short-term securities for which there is now an excellent market. Short-term money is as superabundant as labor; but it won't go to work at any steady job. This would be one way to conscript it. The certificates could be simply swapped for short-term, low-rate Treasury notes, at considerable saving in interest, and these could be refunded into longer term issues in blocks at intervals without seriously disturbing the market. All that would be necessary is for the Treasury to forego the equivalent refunding of other debt which it is planning, or some of the high-speed other debt retirement for which it has an obsession.

At the worst, even though the bonus should be incorporated all at once into the regular public debt through a long-term bond issue floated (as most of it would be) on bank-money, the debt would only be restored to the level at which it would have been in the normal course of retirement under the law. This might spoil the Secretary's record, but it would not wreck the country, the banks, or the Treasury. Too rapid debt retirement has overtaxed business for ten years and been a persistent force toward deflation. Now, if ever, is the time to stop and reverse the process.

The bonus-cashing proposal is simply the first organized, if unconscious, demand that the process of deflation which has been going on since 1928 under prevailing banking and Treasury policies shall be checked and offset by a compensatory inflation. Though bankers shriek that word in quotes it will frighten nobody who understands the innards of the present business situation. Business has never recovered from depression in this or any country, and it will certainly not recover now from the worst on record, without an expansion of the amount of

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bank-money in circulation over and above the immediate apparent and expressed needs of business—which is inflation.

The greater the depression the greater this expansion must be. Such expansion is always initiated by some factor outside of business—within the banking system, by gold imports, by Federal Reserve action, by government borrowing for construction or relief—never by business itself. The commercial banks in this country rarely or never take the initiative; they are zealous to liquidate but reluctant to expand credit so long as interest rates are low, just as they resist its contraction when rates are high; in either case they usually have to be forced to it by some outside factor.

Now the Nemesis of deflation—the outright rebellion of some group against it—has overtaken them, and though they squirm and threaten, they can no longer escape the demand for a reversal of policy. The appearance of the embattled doughboys on the scene is merely a signal that the jig of the deflationist is up. It took something like the entire American army to jolt the financial fraternity out of their complacency on this crucial question.

The vital and only question in the bonus issue now is not whether they are to be forced to expand the amount of bank-money in use, but whether it is to be expanded by this method or another. There is always a better way to settle any question than by a battalion of doughboys, whether armed with bayonets or ballots, and it would be the worst possible way to settle this one.

The chairman of the Federal Reserve Bank of New York is the only banker who has stated the real case against the bonus-cashing method fairly and intelligently. This depression is due chiefly to a decline in the production of capital goods because of the abnormal scarcity and high cost of long-term credit. Such production accounts for more than 30% of industrial activity in this country, and the decline in it accounts for fully two-thirds of the slump in business. The decline in purchasing power and demand for consumers' goods has been, as it always is in depression, relatively small, and this itself is due mainly to the falling off of

employment in the production of building, automobiles, equipment, and other fixed capital. That is why "Buy Now" campaigns are fruit-less.

To increase immediate consumer purchasing power by putting more bank-money directly into circulation through cashing the bonus would not permanently meet this situation. It would only temporarily stimulate retail trade, and so far as actual savings and investment funds were diverted to such use, because of continued refusal of the banks and the Reserve system to support the bond market, it might retard real recovery. This can come only from large-scale lending and borrowing of actual savings and of bank-money at low rates for real investment in fixed capital of all kinds, here and abroad. This in turn, under present conditions. depends upon the willingness of the Federal Reserve authorities to challenge the power of the commercial banks, check the liquidation process, force an increase of bank investments, and lower long-term interest rates. If the commercial and the Reserve banks are not willing to use their resources in this way they will be forced to use them the other way. They can no longer evade the issue.

Though we are hopeful that the doughboys will not have their way about it, by raising the issue they have done their bit to make the world safe from much more of the economic atrocities of deflation committed in the past year. The barrage they have laid down on the financial entrenchments has driven the bankers into the open and may persuade them to choose the better 'ole of credit policy.

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